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

FIRST QUARTER 2014

TABLE OF CONTENTS

CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2014 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, 2014

*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, 2014. 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, 2014, the internal control over financial reporting was effective based upon the COSO (1992) 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, 2014.

Darrell L. Curtis
Chief Executive Officer

Robert J. Kobzowicz, Jr.
Chief Financial Officer

May 9, 2014

*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, 2014. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2013 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, 2014, was $1,498,596, an increase of $11,222 as compared to $1,487,374 at December 31, 2013. Net loans outstanding at March 31, 2014, were $1,487,905 as compared to $1,475,666 at December 31, 2013. Net loans accounted for 97.2 percent of total assets at March 31, 2014, as compared to 95.6 percent of total assets at December 31, 2013. The increase in both gross and net loans primarily resulted from increased participation loans purchased.

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 $30,630 at December 31, 2013, to $25,278 at March 31, 2014, mainly due to several large paydowns. 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 $10,691 and $11,708 at March 31, 2014 and December 31, 2013, respectively. Also at March 31, 2014, the Association maintained a reserve for unfunded commitments of $685 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, 2014, the Association had loans amounting to $16,027 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, 2014

Net income for the three months ended March 31, 2014, totaled $9,331, an increase of $1,806 compared to $7,525 for the same period in 2013. This increase resulted primarily from increased net interest income and a reversal in provision for loan losses, offset by lower noninterest income and higher noninterest expense.

Net interest income increased by $726 for the three months ended March 31, 2014 compared to the same period in 2013. This increase resulted from an increase of $317 in interest income on accruing loans as volume grew during the period and an increase of $462 in nonaccrual income due to a notable decrease in nonaccrual volume, offset by an increase of $53 in interest expense.

The reversal of allowance for loan losses was $1,018 in the first quarter of 2014 as compared to a provision of $513 in the same period for 2013, largely due to the decrease in general reserves as a result of improving credit quality.

Noninterest income for the three months ended March 31, 2014 decreased by $244 to $3,920 compared to $4,164 for the same period of 2013. This decrease resulted primarily from a smaller reversal for unfunded commitments booked in the first quarter of 2014 compared to 2013, lower patronage refunds due to decreased participation and CPP volume, lower other income and smaller gains on rural home loans.

Noninterest expense for the three months ended March 31, 2014, increased $207, compared to the same period of 2013. This increase is primarily due to higher personnel costs, insurance fund premiums and nonaccrual expenses offset by lower directors, purchased services and other property owned expenses.

The provision for income taxes was $60 for both quarters ended March 31, 2014 and 2013.

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, 2014, was $1,201,940 as compared to $1,221,761 at December 31, 2013. This decrease resulted from the receipt of the 2013 Equity in earnings of other Farm Credit institutions and cash generated from Association year-to-date 2014 earnings.

CAPITAL RESOURCES

Total members' equity at March 31, 2014 increased by $9,266 to $300,008 from the December 31, 2013 total of $290,742. The increase is primarily attributed to year-to-date 2014 net income.

Total capital stock and participation certificates were $10,820 on March 31, 2014, compared to $10,878 on December 31, 2013.

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, 2014, the Association's permanent capital and total surplus ratios were 17.64 percent and 16.95 percent, respectively, and the core surplus ratio was 16.04 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, 2014, the FCA took no enforcement action against the Association.

On March 31, 2014, the FCA published an interim final rule rescinding all requirements for nonbinding advisory votes on senior officer compensation at System banks and associations. The comment period for the interim rule ended on April 30, 2014. A final effective date for the rule has not yet been published.

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 2013 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 *Ag***Choice** 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.

Ag Choice Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2014	December 31, 2013
	(unaudited)	*(audited)*
Assets		
Cash	$ 54	$ 228
Investment securities:		
Held to maturity (fair value of $2,346 and $2,253, respectively)	2,342	2,342
Loans	1,498,596	1,487,374
Allowance for loan losses	(10,691)	(11,708)
Net loans	1,487,905	1,475,666
Accrued interest receivable	6,069	4,987
Investments in other Farm Credit institutions	21,871	22,210
Premises and equipment, net	4,331	3,846
Other property owned	274	83
Accounts receivable	3,191	29,435
Other assets	4,380	4,993
Total assets	$ 1,530,417	$ 1,543,790
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 1,201,940	$ 1,221,761
Accrued interest payable	1,647	1,741
Patronage refunds payable	603	15,413
Accounts payable	1,754	2,999
Other liabilities	24,465	11,134
Total liabilities	1,230,409	1,253,048
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	10,820	10,878
Surplus		
Allocated	152,451	152,204
Unallocated	136,762	127,685
Accumulated other comprehensive income (loss)	(25)	(25)
Total members' equity	300,008	290,742
Total liabilities and members' equity	$ 1,530,417	$ 1,543,790

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

Ag **Choice Farm Credit, ACA**

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2014	2013
Interest Income		
Loans	$ 17,533	$ 16,753
Investment securities	36	37
Total interest income	17,569	16,790
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	6,298	6,245
Net interest income	11,271	10,545
Provision for (reversal of allowance for) loan losses	(1,018)	513
Net interest income after provision for (reversal of allowance for) loan losses	12,289	10,032
Noninterest Income		
Loan fees	312	326
Fees for financially related services	298	294
Patronage refunds from other Farm Credit institutions	2,898	2,966
Gains (losses) on sales of rural home loans, net	7	43
Gains (losses) on sales of premises and equipment, net	72	14
Gains (losses) on other transactions	217	366
Other noninterest income	116	155
Total noninterest income	3,920	4,164
Noninterest Expense		
Salaries and employee benefits	4,522	4,422
Occupancy and equipment	260	256
Insurance Fund premiums	343	270
(Gains) losses on other property owned, net	17	86
Other operating expenses	1,676	1,577
Total noninterest expense	6,818	6,611
Income before income taxes	9,391	7,585
Provision for income taxes	60	60
Net income	9,331	7,525
Other comprehensive income	—	—
Comprehensive income	$ 9,331	$ 7,525

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

Ag **Choice Farm Credit, ACA**

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Surplus: Allocated	Surplus: Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
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
Balance at December 31, 2013	$ 10,878	$ 152,204	$ 127,685	$ (25)	$ 290,742
Comprehensive income			9,331		9,331
Capital stock/participation certificates issued/(retired), net	(62)				(62)
Dividends declared/paid	4		(4)		—
Surplus retired		(3)			(3)
Patronage distribution adjustment		250	(250)		—
Balance at March 31, 2014	$ 10,820	$ 152,451	$ 136,762	$ (25)	$ 300,008

The accompanying notes are an integral part of these consolidated 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

Organization

The accompanying financial statements include the accounts of *Ag***Choice** Farm Credit, ACA (the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2013, are contained in the 2013 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, 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.

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

The results of any interim period are not necessarily indicative of the results to be expected for a full year.

Significant Accounting Policies

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified.

Recently Issued Accounting Pronouncements

In March 2014 The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-06, "Technical Corrections and Improvements Related to Glossary Terms (Master Glossary)." The amendments in this Update relate to glossary terms, cover a wide range of Topics in the Codification and are presented in four sections: Deletion of Master Glossary Terms, Addition of Master Glossary Term Links, Duplicate Master Glossary Terms, and Other Technical Corrections Related to Glossary Terms. These amendments did not have transition guidance and were effective upon issuance for both public entities and nonpublic entities.

In January 2014 the FASB issued ASU 2014-04, "Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40) - Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." The objective of the amendments in this Update is to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For entities other than public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. Early adoption is permitted.

Other recently issued accounting pronouncements are discussed in the 2013 Annual Report to Shareholders.

Note 2 — Loans and Allowance for Loan Losses

For a complete description of the Association's accounting for loans (including impaired loans and the allowance for loan losses) and definitions of loan types, see the 2013 Annual Report to Shareholders.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	March 31, 2014	December 31, 2013
Real estate mortgage	$ 643,332	$ 642,117
Production and intermediate-term	569,644	583,862
Loans to cooperatives	29,745	18,309
Processing and marketing	96,958	90,613
Farm-related business	24,071	23,562
Communication	69,726	63,583
Energy and water/waste disposal	27,241	26,609
Rural residential real estate	21,710	22,528
International	12,001	11,988
Lease receivables	231	255
Other (including Mission Related)	3,937	3,948
Total loans	$ 1,498,596	$ 1,487,374

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

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 (FCA) regulations. The following tables present participation loan balances at periods ended:

	March 31, 2014							
	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	$ 458	$ 55,547	$ 9,663	$ –	$ –	$ –	$ 10,121	$ 55,547
Production and intermediate-term	31,796	52,408	69,640	4,391	8,184	–	109,620	56,799
Loans to cooperatives	8,482	–	21,135	–	–	–	29,617	–
Processing and marketing	28,890	–	27,799	–	38,381	–	95,070	–
Farm-related business	–	547	–	–	1,500	–	1,500	547
Communication	1,329	–	68,517	–	–	–	69,846	–
Energy and water/waste disposal	8,907	–	18,337	–	–	–	27,244	–
Rural residential real estate	–	605	–	–	–	–	–	605
Lease receivables	–	–	215	–	–	–	215	–
International	–	–	12,000	–	–	–	12,000	–
Total	$ 79,862	$ 109,107	$ 227,306	$ 4,391	$ 48,065	$ –	$ 355,233	$ 113,498

	December 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	$ 825	$ 57,975	$ 9,833	$ –	$ –	$ –	$ 10,658	$ 57,975
Production and intermediate-term	33,197	59,949	61,918	4,533	7,658	–	102,773	64,482
Loans to cooperatives	–	–	18,197	–	–	–	18,197	–
Processing and marketing	25,775	–	22,340	–	40,757	–	88,872	–
Farm-related business	–	817	–	–	–	–	–	817
Communication	1,329	–	62,454	–	–	–	63,783	–
Energy and water/waste disposal	8,917	–	17,728	–	–	–	26,645	–
Rural residential real estate	–	611	–	–	–	–	–	611
International	–	–	12,000	–	–	–	12,000	–
Lease receivables	–	–	467	–	–	–	467	–
Total	$ 70,043	$ 119,352	$ 204,937	$ 4,533	$ 48,415	$ –	$ 323,395	$ 123,885

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 the latest period end:

	March 31, 2014			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 14,983	$ 126,666	$ 501,683	$ 643,332
Production and intermediate-term	176,851	252,152	140,641	569,644
Loans to cooperatives	20,382	8,900	463	29,745
Processing and marketing	61,448	28,306	7,204	96,958
Farm-related business	5,148	11,658	7,265	24,071
Communication	68,512	1,214	–	69,726
Energy and water/waste disposal	16,550	1,346	9,345	27,241
Rural residential real estate	269	3,957	17,484	21,710
International	7,003	4,998	–	12,001
Lease receivables	74	157	–	231
Other (including Mission Related)	–	767	3,170	3,937
Total Loans	$ 371,220	$ 440,121	$ 687,255	$ 1,498,596
Percentage	24.77%	29.37%	45.86%	100.00%

The following table shows loans and related accrued interest, classified under the FCA Uniform Loan Classification System, as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2014	December 31, 2013
Real estate mortgage:		
Acceptable	95.36%	96.12%
OAEM	2.70	1.58
Substandard/doubtful/loss	1.94	2.30
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	92.57%	91.90%
OAEM	3.30	2.41
Substandard/doubtful/loss	4.13	5.69
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	97.20%	99.82%
OAEM	2.80	0.18
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	90.91%	91.18%
OAEM	0.46	0.50
Substandard/doubtful/loss	8.63	8.32
	100.00%	100.00%
Farm-related business:		
Acceptable	96.25%	97.55%
OAEM	2.48	2.40
Substandard/doubtful/loss	1.27	0.05
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	March 31, 2014	December 31, 2013
Energy and water/waste disposal:		
Acceptable	98.41%	99.12%
OAEM	–	–
Substandard/doubtful/loss	1.59	0.88
	100.00%	100.00%
Rural residential real estate:		
Acceptable	90.71%	91.30%
OAEM	3.14	2.61
Substandard/doubtful/loss	6.15	6.09
	100.00%	100.00%
International:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Lease receivables:		
Acceptable	27.26%	31.32%
OAEM	63.48	59.43
Substandard/doubtful/loss	9.26	9.25
	100.00%	100.00%
Other (including Mission Related)		
Acceptable	6.70%	6.96%
OAEM	–	–
Substandard/doubtful/loss	93.30	93.04
	100.00%	100.00%
Total loans:		
Acceptable	94.06%	94.16%
OAEM	2.60	1.75
Substandard/doubtful/loss	3.34	4.09
	100.00%	100.00%

The following tables provide an age analysis of past due loans and related accrued interest as of:

	March 31, 2014					
	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	$ 2,607	$ 1,051	$ 3,658	$ 642,917	$ 646,575	$ –
Production and intermediate-term	5,389	5,374	10,763	561,065	571,828	–
Loans to cooperatives	–	–	–	29,776	29,776	–
Processing and marketing	–	–	–	97,154	97,154	–
Farm-related business	11	–	11	24,143	24,154	–
Communication	–	–	–	69,795	69,795	–
Energy and water/waste disposal	–	–	–	27,311	27,311	–
Rural residential real estate	186	17	203	21,608	21,811	–
International	–	–	–	12,041	12,041	–
Lease receivables	–	21	21	211	232	–
Other (including Mission Related)	–	3,675	3,675	264	3,939	–
Total	$ 8,193	$ 10,138	$ 18,331	$ 1,486,285	$ 1,504,616	$ –

	December 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	$ 1,514	$ 2,766	$ 4,280	$ 640,162	$ 644,442	$ –
Production and intermediate-term	1,825	5,984	7,809	578,154	585,963	–
Loans to cooperatives	–	–	–	18,340	18,340	–
Processing and marketing	–	–	–	90,843	90,843	–
Farm-related business	56	–	56	23,562	23,618	–
Communication	–	–	–	63,645	63,645	–
Energy and water/waste disposal	–	–	–	26,618	26,618	–
Rural residential real estate	241	–	241	22,364	22,605	–
International	–	–	–	12,067	12,067	–
Lease receivables	–	24	24	233	257	–
Other (including Mission Related)	–	3,675	3,675	276	3,951	–
Total	$ 3,636	$ 12,449	$ 16,085	$ 1,476,264	$ 1,492,349	$ –

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, 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, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	$ 6,117	$ 8,821
Production and intermediate-term	14,914	17,750
Processing and marketing	45	45
Farm-related business	–	–
Energy and water/waste disposal	435	234
Rural residential real estate	104	108
Lease receivables	21	24
Other (including Mission Related)	3,642	3,648
Total nonaccrual loans	$ 25,278	$ 30,630
Accruing restructured loans:		
Real estate mortgage	$ 2,250	$ 2,390
Production and intermediate-term	6,266	6,471
Total accruing restructured loans	$ 8,516	$ 8,861
Accruing loans 90 days or more past due:		
Real estate mortgage	$ –	$ –
Production and intermediate-term	–	–
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 33,794	$ 39,491
Other property owned	274	83
Total nonperforming assets	$ 34,068	$ 39,574
Nonaccrual loans as a percentage of total loans	1.69%	2.06%
Nonperforming assets as a percentage of total loans and other property owned	2.27%	2.66%
Nonperforming assets as a percentage of capital	11.36%	13.61%

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, 2014	December 31, 2013
Impaired nonaccrual loans:		
Current as to principal and interest	$ 12,008	$ 16,529
Past due	13,270	14,101
Total impaired nonaccrual loans	25,278	30,630
Impaired accrual loans:		
Restructured	8,516	8,861
90 days or more past due	–	–
Total impaired accrual loans	8,516	8,861
Total impaired loans	$ 33,794	$ 39,491

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	March 31, 2014			Quarter Ended March 31, 2014	
	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	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	6,837	8,411	2,708	7,635	111
Processing and marketing	–	–	–	–	–
Energy and water/waste disposal	435	443	435	486	7
Rural residential real estate	–	–	–	–	–
Lease receivables	–	–	–	–	–
Other (including Mission Related)	–	–	–	–	–
Total	$ 7,272	$ 8,854	$ 3,143	$ 8,121	$ 118
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 8,367	$ 9,475	$ –	$ 9,344	$ 135
Production and intermediate-term	14,343	16,521	–	16,017	232
Processing and marketing	45	42	–	50	1
Energy and water/waste disposal	–	–	–	–	–
Rural residential real estate	104	197	–	116	2
Lease receivables	21	74	–	24	–
Other (including Mission Related)	3,642	3,817	–	4,068	59
Total	$ 26,522	$ 30,126	$ –	$ 29,619	$ 429
Total impaired loans:					
Real estate mortgage	$ 8,367	$ 9,475	$ –	$ 9,344	$ 135
Production and intermediate-term	21,180	24,932	2,708	23,652	343
Processing and marketing	45	42	–	50	1
Energy and water/waste disposal	435	443	435	486	7
Rural residential real estate	104	197	–	116	2
Lease receivables	21	74	–	24	–
Other (including Mission Related)	3,642	3,817	–	4,068	59
Total	$ 33,794	$ 38,980	$ 3,143	$ 37,740	$ 547

	December 31, 2013			Year Ended December 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	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	8,300	9,768	2,391	8,542	177
Energy and water/waste disposal	234	241	234	241	5
Rural residential real estate	–	–	–	–	–
Other (including Mission Related)	3,168	3,262	298	3,261	67
Total	$ 11,702	$ 13,271	$ 2,923	$ 12,044	$ 249
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 11,211	$ 12,352	$ –	$ 11,538	$ 239
Production and intermediate-term	15,921	18,012	–	16,386	339
Processing and marketing	45	42	–	46	1
Energy and water/waste disposal	–	–	–	–	–
Rural residential real estate	108	199	–	112	2
Lease receivables	24	76	–	24	1
Other (including Mission Related)	480	555	–	494	11
Total	$ 27,789	$ 31,236	$ –	$ 28,600	593
Total impaired loans:					
Real estate mortgage	$ 11,211	$ 12,352	$ –	$ 11,538	$ 239
Production and intermediate-term	24,221	27,780	2,391	24,928	516
Processing and marketing	45	42	–	46	1
Energy and water/waste disposal	234	241	234	241	5
Rural residential real estate	108	199	–	112	2
Lease receivables	24	76	–	24	1
Other (including Mission Related)	3,648	3,817	298	3,755	78
Total	$ 39,491	$ 44,507	$ 2,923	$ 40,644	$ 842

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at each reporting period.

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period 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, 2013	$ 1,546	$ 7,304	$ 1,206	$ 282	$ 563	$ 414	$ 19	$ 74	$ 300	$ 11,708
Charge-offs	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	1	–	–	–	1
Provision for loan losses	(154)	(789)	84	(15)	197	(30)	(1)	(10)	(300)	(1,018)
Balance at March 31, 2014	$ 1,392	$ 6,515	$ 1,290	$ 267	$ 760	$ 385	$ 18	$ 64	$ –	$ 10,691
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
Loans individually evaluated for impairment	$ –	$ 2,708	$ –	$ –	$ 435	$ –	$ –	$ –	$ –	$ 3,143
Loans collectively evaluated for impairment	1,392	3,807	1,290	267	325	385	18	64	–	7,548
Balance at March 31, 2014	$ 1,392	$ 6,515	$ 1,290	$ 267	$ 760	$ 385	$ 18	$ 64	$ –	$ 10,691
Loans individually evaluated for impairment	$ –	$ 2,391	$ –	$ –	$ 234	$ –	$ –	$ –	$ 298	$ 2,923
Loans collectively evaluated for impairment	1,546	4,913	1,206	282	329	414	19	74	2	8,785
Balance at December 31, 2013	$ 1,546	$ 7,304	$ 1,206	$ 282	$ 563	$ 414	$ 19	$ 74	$ 300	$ 11,708
Recorded investment in loans outstanding:										
Loans individually evaluated for impairment	$ 4,395	$ 12,977	$ –	$ –	$ 435	$ –	$ –	$ –	$ 3,675	$ 21,482
Loans collectively evaluated for impairment	642,180	558,851	151,085	69,795	26,876	21,811	12,041	232	264	1,483,135
Ending balance at March 31, 2014	$ 646,575	$ 571,828	$ 151,085	$ 69,795	$ 27,311	$ 21,811	$ 12,041	$ 232	$ 3,939	$ 1,504,617
Loans individually evaluated for impairment	$ 6,213	$ 15,493	$ –	$ –	$ 234	$ –	$ –	$ –	$ 3,675	$ 25,615
Loans collectively evaluated for impairment	638,229	570,470	132,801	63,645	26,384	22,605	12,068	257	275	1,466,734
Ending balance at December 31, 2013	$ 644,442	$ 585,963	$ 132,801	$ 63,645	$ 26,618	$ 22,605	$ 12,068	$ 257	$ 3,950	$ 1,492,349

**Includes the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.*

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 periods presented related to TDRs. The following tables present additional information regarding TDRs as of the restructuring date that occurred during the period presented.

	Three months ended March 31, 2014			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 173	$ –	$ 173
Production and intermediate-term	–	178	–	178
Total	$ –	$ 351	$ –	$ 351

	Three months ended March 31, 2014				
	Post-modification Outstanding Recorded Investment				Effects of Modification
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Troubled debt restructurings:					
Real estate mortgage	$ –	$ 159	$ –	$ 159	$ –
Production and intermediate-term	–	164	–	164	–
Total	$ –	$ 323	$ –	$ 323	$ –

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, 2014	2013
Defaulted troubled debt restructurings:		
Real estate mortgage	$ 110	$ 127
Production and intermediate-term	–	103
Farm-related business	–	–
Total	$ 110	$ 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, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Real estate mortgage	$ 3,289	$ 4,276	$ 1,039	$ 1,886
Production and intermediate-term	12,947	15,066	6,681	8,595
Rural residential real estate	66	67	66	67
Total Loans	$ 16,302	$ 19,409	$ 7,786	$ 10,548
Additional commitments to lend	$ 924	$ 864		

Note 3 — Investment Securities

The Association's held-to-maturity investments consist primarily of Rural America Bonds, which are private placement securities purchased under the Mission Related Investment program approved by FCA. In its Conditions of Approval for the program, the FCA considers a Rural America Bond ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

March 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission Related Investments	$ 2,342	$ 4	$ –	$ 2,346	6.23%

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission Related Investments	$ 2,342	$ –	$ (89)	$ 2,253	6.23%

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

March 31, 2014	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	2,342	2,346	6.23
Total	$ 2,342	$ 2,346	6.23%

All of these investments have contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following table shows the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. 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, 2014.

	December 31, 2013			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission Related Investments	$ 2,253	$ (89)	$ –	$ –

FASB guidance contemplates numerous factors in determining whether an impairment is other-than-temporary. These factors include: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (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.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to AgFirst Farm Credit Bank (AgFirst or the Bank) represents borrowings by the Association primarily to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income

The following tables present activity related to AOCI for the periods presented:

	Changes in Accumulated Other Comprehensive income by Component *(a)*			
	Three Months Ended March 31,			
	2014		2013	
Employee Benefit Plans:				
Balance at beginning of period	$	(25)	$	(41)
Other comprehensive income before reclassifications		–		–
Amounts reclassified from AOCI		–		–
Net current period other comprehensive income		–		–
Balance at end of period	$	(25)	$	(41)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*				
	Three Months Ended March 31,				
	2014		2013		Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$	–	$	–	See footnote 7.
Net amounts reclassified	$	–	$	–	

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

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 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 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 hierarchy tiers 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 8.49 percent of the issued stock of the Bank as of March 31, 2014 net of any reciprocal investment. As of that date, the Bank's assets totaled $27.6 billion and shareholders' equity totaled $2.2 billion. The Bank's earnings were $88 million for the first three months of 2014. In addition, the Association has an investment of $132 related to other Farm Credit institutions.

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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.

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.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

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	
	For the three months ended March 31,	
	2014	2013
Balance at beginning of period	$ 133	$ 228
Issuances	–	–
Settlements	(27)	(45)
Balance at end of period	$ 106	$ 183

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 the instruments presented 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
Impaired loans and other property owned	$ 30,958	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			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 forecasts Probability of default Loss severity
Investment securities, held-to-maturity	Discounted cash flow	Prepayment forecasts Risk adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

The following tables present 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, 2014

	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	$ 494	$ 494	$ –	$ –	$ 494	
Recurring Assets	$ 494	$ 494	$ –	$ –	$ 494	
Liabilities:						
Standby letters of credit	$ 106	$ –	$ –	$ 106	$ 106	
Recurring Liabilities	$ 106	$ –	$ –	$ 106	$ 106	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 30,651	$ –	$ –	$ 30,651	$ 30,651	$ (220)
Other property owned	274	–	–	307	307	–
Nonrecurring Assets	$ 30,925	$ –	$ –	$ 30,958	$ 30,958	$ (220)
Other Financial Instruments						
Assets:						
Cash	$ 54	$ 54	$ –	$ –	$ 54	
Investment securities, held-to-maturity	2,342	–	–	2,346	2,346	
Loans	1,457,254	–	–	1,448,618	1,448,618	
Other Financial Assets	$ 1,459,650	$ 54	$ –	$ 1,450,964	$ 1,451,018	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,201,940	$ –	$ –	$ 1,190,954	$ 1,190,954	
Other Financial Liabilities	$ 1,201,940	$ –	$ –	$ 1,190,954	$ 1,190,954	

At or for the Year Ended December 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	$ 453	$ 453	$ –	$ –	$ 453	
Recurring Assets	$ 453	$ 453	$ –	$ –	$ 453	
Liabilities:						
Standby letters of credit	$ 133	$ –	$ –	$ 133	$ 133	
Recurring Liabilities	$ 133	$ –	$ –	$ 133	$ 133	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 36,568	$ –	$ –	$ 36,568	$ 36,568	$ (1,800)
Other property owned	83	–	–	94	94	(59)
Nonrecurring Assets	$ 36,651	$ –	$ –	$ 36,662	$ 36,662	$ (1,859)
Other Financial Instruments						
Assets:						
Cash	$ 228	$ 228	$ –	$ –	$ 228	
Investment securities, held-to-maturity	2,342	–	–	2,253	2,253	
Loans	1,439,098	–	–	1,429,842	1,429,842	
Other Financial Assets	$ 1,441,668	$ 228	$ –	$ 1,432,095	$ 1,432,323	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,221,761	$ –	$ –	$ 1,205,290	$ 1,205,290	
Other Financial Liabilities	$ 1,221,761	$ –	$ –	$ 1,205,290	$ 1,205,290	

Note 7 — 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, 2014	For the three months ended March 31, 2013
Pension	$ 816	$ 804
401(k)	132	125
Other postretirement benefits	133	125
Total	$ 1,081	$ 1,054

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

	Actual YTD Through 3/31/14	Projected Contributions For Remainder of 2014	Projected Total Contributions 2014
Pension	$ 5	$ 2,567	$ 2,572
Other postretirement benefits	107	343	450
Total	$ 112	$ 2,910	$ 3,022

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, 2014.

Further details regarding employee benefit plans are contained in the 2013 Annual Report to Shareholders.

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Business Combination

In February 2014, the Boards of Directors of AgChoice Farm Credit, ACA and MidAtlantic Farm Credit, ACA (collectively referred to as the "Merger Associations") signed a Letter of Intent to proceed with a process which could lead to the consolidation of the Association with MidAtlantic Farm Credit, ACA. The Letter of Intent allows the Merger Associations to explore the benefits of a merger. If the Boards of the Merger Associations agree to proceed with a merger, a Plan of Merger (Merger) will be prepared and submitted to the Bank and FCA for approval. Upon approval by the Bank and FCA, the Merger will be submitted to shareholders of the Merger Associations for their review and approval. The Letter of Intent contains a proposed merger effective date no later than January 1, 2015 pending all necessary approvals.

Note 10 — Subsequent Events

The Association has evaluated subsequent events and has determined there are none requiring disclosure through May 9, 2014, which is the date the financial statements were issued.