

SECOND QUARTER 2013

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CERTIFICATION

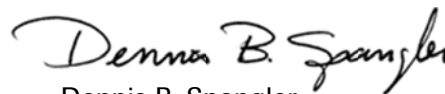
The undersigned certify that we have reviewed the June 30, 2013 quarterly report of AgChoice Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the 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

August 7, 2013

Report on Internal Control Over Financial Reporting

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

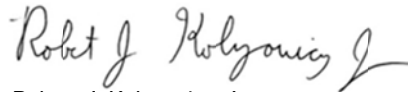
Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of June 30, 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 June 30, 2013, 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 June 30, 2013.



Darrell L. Curtis
Chief Executive Officer



Robert J. Kobzowicz, Jr.
Chief Financial Officer

August 7, 2013

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 AgChoice Farm Credit ACA, (Association) for the period ended June 30, 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 June 30, 2013, was \$1,429,680, an increase of \$20,594 as compared to \$1,409,086 at December 31, 2012. Net loans outstanding at June 30, 2013, were \$1,417,508 as compared to \$1,398,382 at December 31, 2012. Net loans accounted for 97.0 percent of total assets at June 30, 2013, as compared to 96.2 percent of total assets at December 31, 2012.

Both gross and net loan volume increased during the reporting period as new loan volume outpaced payoffs and paydowns.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. Nonaccrual volume increased from \$28,396 at December 31, 2012, to \$35,236 at June 30, 2013. 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 \$12,172 and \$10,704 at June 30, 2013 and December 31, 2012, respectively. Also at June 30, 2013, the Association maintained a reserve for unfunded commitments of \$600 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 June 30, 2013, the Association had loans amounting to \$20,285 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 June 30, 2013

Net income for the three months ended June 30, 2013, totaled \$9,084, as compared to \$9,492 for the same period in 2012. Net interest income decreased by \$85 for the three months ended June 30, 2013, as compared to the same period in 2012.

At June 30, 2013, interest income on accruing loans increased \$198 compared to a year ago as loan volume increased. Nonaccrual interest income was \$476 for the three months ended June 30, 2013, as compared to \$943 for the same period in 2012. Interest expense decreased \$185 for the three months ended June 30, 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 \$627 in the second quarter of 2013, largely due to increases in specifics reserves.

Noninterest income for the three months ended June 30, 2013, totaled \$4,752, as compared to \$5,164 for the same period of 2012, a decrease of \$412. This decrease resulted primarily from a FCSIC refund that the association received in 2012 that did not repeat in 2013, offset by lower OPO losses and other noninterest income.

Noninterest expense for the three months ended June 30, 2013, increased \$171 or 3.0 percent, compared to the same period of 2012. This increase is primarily due to higher personnel costs associated with increased staffing levels and

higher insurance fund premium, offset by lower other noninterest income.

The provision for income taxes was \$106 for the second quarter of 2013 as compared to a \$16 provision in the same period last year.

For the six months ended June 30, 2013

Net income for the six months ended June 30, 2013, totaled \$16,609, as compared to \$18,522 for the same period in 2012. Net interest income decreased \$149 for the six months ended June 30, 2013, as compared to the same period one year ago.

At June 30, 2013, interest income on accruing loans increased \$470 compared to a year ago. Nonaccrual interest income was \$561 for the six months ended June 30, 2013, as compared to \$1,565 for the same period in 2012. Interest expense decreased \$386 for the six months ended June 30, 2013, as compared to the comparable period of 2012. The increase in interest income on accruing loans is primarily related to an increase in loan volume while the decrease in interest expense is due to the decrease in rates seen in the market place during the past year.

Increased risk in the dairy portfolio and a large increase in five specific reserves, offset by a large recovery resulted in a \$1,140 provision for loan losses in the first half of 2013.

Noninterest income for the six months ended June 30, 2013, totaled \$8,830, as compared to \$9,112 for the same period of 2012, a decrease of \$282. This decrease resulted primarily from the following factors; the receipt of the \$1,648 FCSIC refund in 2012 that was not received in 2013, losses on other property owned decreased by \$429, other noninterest income, which includes reserves for unfunded commitments, improved by \$1,000.

Noninterest expense for the six months ended June 30, 2013, increased \$508, or 4.3 percent, compared to the same period of 2012. This increase was primarily due to higher personnel and FCSIC expenses.

The provision for income taxes was \$166 for the six months ended June 30, 2013 as compared to \$86 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 June 30, 2013, was \$1,166,362 as compared to \$1,160,477 at December 31, 2012. This increase 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 June 30, 2013, increased to \$280,679 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 \$10,821 on June 30, 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 June 30, 2013, the Association's permanent capital and total surplus ratios were 17.3 percent and 16.5 percent, respectively, and the core surplus ratio was 15.0 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 six months ended June 30, 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

<i>(dollars in thousands)</i>	June 30, 2013 <i>(unaudited)</i>	December 31, 2012 <i>(audited)</i>
Assets		
Cash	\$ 772	\$ 642
Investment securities:		
Held to maturity (fair value of \$2,346 and \$2,642, respectively)	2,342	2,392
Loans	1,429,680	1,409,086
Less: allowance for loan losses	12,172	10,704
Net loans	1,417,508	1,398,382
Accrued interest receivable	6,301	5,110
Investments in other Farm Credit institutions	21,782	22,401
Premises and equipment, net	3,734	3,697
Other property owned	—	1,055
Due from AgFirst Farm Credit Bank	6,035	14,382
Other assets	3,602	5,169
Total assets	\$ 1,462,076	\$ 1,453,230
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 1,166,362	\$ 1,160,477
Accrued interest payable	1,733	1,788
Patronage refunds payable	394	12,485
Other liabilities	12,908	14,251
Total liabilities	1,181,397	1,189,001
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	10,821	10,895
Surplus		
Allocated	137,838	137,817
Unallocated	132,061	115,558
Accumulated other comprehensive income (loss)	(41)	(41)
Total members' equity	280,679	264,229
Total liabilities and members' equity	\$ 1,462,076	\$ 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 June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Interest Income				
Investment securities	\$ 37	\$ 38	\$ 74	\$ 75
Loans	17,123	17,392	33,876	34,410
Total interest income	17,160	17,430	33,950	34,485
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	6,198	6,383	12,443	12,829
Net interest income	10,962	11,047	21,507	21,656
Provision for loan losses	627	977	1,140	246
Net interest income after provision for loan losses loan losses	10,335	10,070	20,367	21,410
Noninterest Income				
Loan fees	390	455	716	938
Fees for financially related services	368	292	662	589
Patronage refunds from other Farm Credit institutions	3,938	3,822	6,904	6,843
Gains (losses) on other property owned, net	(31)	(487)	(117)	(546)
Gains (losses) on sales of rural home loans, net	47	32	90	72
Gains (losses) on sales of premises and equipment, net	22	(1)	36	29
Insurance Fund refunds	—	1,648	—	1,648
Other noninterest income (loss)	18	(597)	539	(461)
Total noninterest income	4,752	5,164	8,830	9,112
Noninterest Expense				
Salaries and employee benefits	4,036	3,884	8,458	8,183
Occupancy and equipment	316	314	634	621
Insurance Fund premiums	276	135	546	268
Other operating expenses	1,269	1,393	2,784	2,842
Total noninterest expense	5,897	5,726	12,422	11,914
Income before income taxes	9,190	9,508	16,775	18,608
Provision for income taxes	106	16	166	86
Net income	\$ 9,084	\$ 9,492	\$ 16,609	\$ 18,522

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

AgChoice Farm Credit, ACA
**Consolidated Statements of
 Comprehensive Income**

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Net income	\$ 9,084	\$ 9,492	\$ 16,609	\$ 18,522
Other comprehensive income net of tax				
Employee benefit plans adjustments (Note 7)	—	—	—	(4)
Comprehensive income	\$ 9,084	\$ 9,492	\$ 16,609	\$ 18,518

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

AgChoice Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Surplus		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2011	\$ 10,924	\$ 128,951	\$ 107,637	\$ (17)	\$ 247,495
Comprehensive income			18,522	(4)	18,518
Capital stock/participation certificates issued/(retired), net	(17)				(17)
Dividends declared/paid	9		(9)		-
Surplus retired		(38)			(38)
Patronage distribution adjustment		548	(542)		6
Balance at June 30, 2012	\$ 10,916	\$ 129,461	\$ 125,608	\$ (21)	\$ 265,964
Balance at December 31, 2012	\$ 10,895	\$ 137,817	\$ 115,558	\$ (41)	\$ 264,229
Comprehensive income			16,609		16,609
Capital stock/participation certificates issued/(retired), net	(83)				(83)
Dividends declared/paid	9		(9)		-
Surplus retired		(74)			(74)
Patronage distribution adjustment		95	(97)		(2)
Balance at June 30, 2013	\$ 10,821	\$ 137,838	\$ 132,061	\$ (41)	\$ 280,679

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

AgChoice Farm Credit, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

(unaudited)

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

The accompanying financial statements include the accounts of AgChoice 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 second 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 six months ended June 30, 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 June 30, 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 June 30, 2013 and December 31, 2012 follows:

June 30, 2013					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	\$ 2,342	\$ 4	\$ -	\$ 2,346	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 June 30, 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	2,342	2,346	6.23
Total	\$ 2,342	\$ 2,346	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 June 30, 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 June 30, 2013.

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	June 30, 2013	December 31, 2012
Real estate mortgage	\$ 633,504	\$ 614,995
Production and intermediate-term	546,527	550,412
Agribusiness		
Loans to cooperatives	27,941	11,903
Processing and marketing	64,731	86,647
Farm-related business	22,380	23,796
Total agribusiness	115,052	122,346
Communication	62,459	55,318
Energy	27,066	26,418
Rural residential real estate	23,042	22,579
International	17,252	12,262
Lease receivables	499	786
Other (including mission-related)	4,279	3,970
Total loans	\$ 1,429,680	\$ 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:

	June 30, 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	\$ 8,892	\$ 61,787	\$ 15,100	-	-	-	\$ 23,992	\$ 61,787
Production and intermediate-term	35,328	61,774	37,080	3,304	6,983	-	79,391	65,078
Agribusiness								
Loans to cooperatives	6,256	-	21,609	-	-	-	27,865	-
Processing and marketing	16,221	8	20,019	-	26,634	-	62,874	8
Farm-related business	-	981	-	-	680	-	680	981
Total agribusiness	22,477	989	41,628	-	27,314	-	91,419	989
Communication	6,329	-	56,274	-	-	-	62,603	-
Energy	8,945	-	18,136	-	-	-	27,081	-
Rural residential real estate	-	621	-	-	-	-	-	621
Lease receivables	-	-	457	-	-	-	457	-
International	7,273	-	10,000	-	-	-	17,273	-
Total	\$ 89,244	\$ 125,171	\$ 178,675	\$ 3,304	\$ 34,297	\$ -	\$ 302,216	\$ 128,475

	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 June 30, 2013 and indicates that approximately 28.26 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	\$ 19,132	\$ 140,267	\$ 474,105	\$ 633,504
Production and intermediate-term	194,103	217,149	135,275	546,527
Agribusiness				
Loans to cooperatives	26,497	1,093	351	27,941
Processing and marketing	57,535	1,610	5,586	64,731
Farm-related business	5,874	9,187	7,319	22,380
Total agribusiness	89,906	11,890	13,256	115,052
Communication	62,459	-	-	62,459
Energy	25,263	252	1,551	27,066
Rural residential real estate	716	4,555	17,771	23,042
International	12,267	4,985	-	17,252
Lease receivables	246	91	162	499
Other (including mission-related)	-	913	3,366	4,279
Total Loans	\$ 404,092	\$ 380,102	\$ 645,486	\$ 1,429,680

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.

	June 30, 2013	December 31, 2012		June 30, 2013	December 31, 2012
Real estate mortgage:			Communication:		
Acceptable	95.67%	94.26%	Acceptable	100.00%	100.00%
OAEM	1.63	2.00	OAEM	-	-
Substandard/doubtful/loss	2.70	3.74	Substandard/doubtful/loss	-	-
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Energy and water/waste disposal:		
Acceptable	89.60%	89.01%	Acceptable	98.74%	100.00%
OAEM	1.83	3.54	OAEM	-	-
Substandard/doubtful/loss	8.57	7.45	Substandard/doubtful/loss	1.26	-
	100.00%	100.00%		100.00%	100.00%
Agribusiness:			Rural residential real estate:		
Loans to cooperatives:			Acceptable	91.20%	93.25%
Acceptable	100.00%	97.59%	OAEM	2.32	2.44
OAEM	-	2.41	Substandard/doubtful/loss	6.48	4.31
Substandard/doubtful/loss	-	-		100.00%	100.00%
	100.00%	100.00%	International:		
Processing and marketing:			Acceptable	100.00%	100.00%
Acceptable	99.75%	97.79%	OAEM	-	-
OAEM	0.16	2.15	Substandard/doubtful/loss	-	-
Substandard/doubtful/loss	0.09	0.06		100.00%	100.00%
	100.00%	100.00%	Lease receivables:		
Farm-related business:			Acceptable	61.78%	68.55%
Acceptable	91.70%	93.28%	OAEM	32.56	27.37
OAEM	2.76	1.31	Substandard/doubtful/loss	5.66	4.08
Substandard/doubtful/loss	5.54	5.41		100.00%	100.00%
	100.00%	100.00%	Other (including mission-related)		
Total agribusiness:			Acceptable	7.19%	-%
Acceptable	98.24%	96.89%	OAEM	-	-
OAEM	0.63	2.01	Substandard/doubtful/loss	92.81	100.00
Substandard/doubtful/loss	1.13	1.10		100.00%	100.00%
	100.00%	100.00%	Total loans:		
			Acceptable	93.51%	92.52%
			OAEM	1.52	2.49
			Substandard/doubtful/loss	4.97	4.99
				100.00%	100.00%

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

June 30, 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	\$ 2,222	\$ 2,972	\$ 5,194	\$ 631,793	\$ 636,987	\$ -
Production and intermediate-term Agribusiness	7,619	3,349	10,968	537,761	548,729	-
Loans to cooperatives	-	-	-	27,973	27,973	-
Processing and marketing	-	-	-	64,899	64,899	-
Farm-related business	-	32	32	22,440	22,472	-
Total agribusiness	-	32	32	115,312	115,344	-
Communication	-	-	-	62,496	62,496	-
Energy and water/waste disposal	-	-	-	27,108	27,108	-
Rural residential real estate	221	202	423	22,723	23,146	-
International	-	-	-	17,377	17,377	-
Lease receivables	-	28	28	472	500	-
Other (including mission-related)	-	3,973	3,973	308	4,281	-
Total	\$ 10,062	\$ 10,556	\$ 20,618	\$ 1,415,350	\$ 1,435,968	\$ -

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 Agribusiness	1,199	4,564	5,763	546,673	552,436	-
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:

	June 30, 2013		December 31, 2012
Nonaccrual loans:			
Real estate mortgage	\$ 10,180	\$	7,964
Production and intermediate-term	20,346		16,030
Agribusiness			
Processing and marketing	56		58
Farm-related business	32		32
Total agribusiness	88		90
Energy and water/waste disposal	340		-
Rural residential real estate	306		332
Lease receivables	28		32
Other (including mission-related)	3,948		3,948
Total nonaccrual loans	\$ 35,236	\$	28,396
Accruing restructured loans:			
Real estate mortgage	\$ 3,139	\$	3,896
Production and intermediate-term	6,951		7,411
Total accruing restructured loans	\$ 10,090	\$	11,307
Accruing loans 90 days or more past due:			
Total accruing loans 90 days or more past due	\$ -	\$	-
Total nonperforming loans	\$ 45,326	\$	39,703
Other property owned	-		1,055
Total nonperforming assets	\$ 45,326	\$	40,758
Nonaccrual loans as a percentage of total loans	2.46%		2.02%
Nonperforming assets as a percentage of total loans and other property owned	3.17%		2.89%
Nonperforming assets as a percentage of capital	16.15%		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.

	June 30, 2013		December 31, 2012
Impaired nonaccrual loans:			
Current as to principal and interest	\$ 18,545	\$	14,984
Past due	16,691		13,412
Total impaired nonaccrual loans	35,236		28,396
Impaired accrual loans:			
Restructured	10,090		11,307
90 days or more past due	-		-
Total impaired accrual loans	10,090		11,307
Total impaired loans	\$ 45,326	\$	39,703

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

	June 30, 2013			Quarter Ended June 30, 2013		Six Months Ended June 30, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:							
Real estate mortgage	\$ 418	\$ 432	\$ 60	\$ 353	\$ 4	\$ 356	\$ 5
Production and intermediate-term Agribusiness	11,521	12,346	2,552	9,729	123	9,810	144
Processing and marketing Farm-related business	-	-	-	-	-	-	-
Total agribusiness	-	-	-	-	-	-	-
Energy and water/waste disposal	343	345	343	289	4	292	4
Rural residential real estate	136	207	26	115	1	116	2
Lease receivables	-	-	-	-	-	-	-
Other (including mission-related)	3,366	3,262	180	2,843	36	2,867	42
Total	\$ 15,784	\$ 16,592	\$ 3,161	\$ 13,329	\$ 168	\$ 13,441	\$ 197
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	\$ 12,901	\$ 13,741	\$ -	\$ 10,895	\$ 138	\$ 10,986	\$ 162
Production and intermediate-term Agribusiness	15,776	17,274	-	13,322	167	13,434	198
Processing and marketing Farm-related business	56	54	-	48	1	48	1
Total agribusiness	32	33	-	27	-	27	-
Energy and water/waste disposal	88	87	-	75	1	75	1
Rural residential real estate	(3)	-	-	(2)	-	(2)	-
Lease receivables	170	294	-	143	2	144	2
Other (including mission-related)	28	80	-	24	-	24	-
Total	582	590	-	491	6	495	7
Total	\$ 29,542	\$ 32,066	\$ -	\$ 24,948	\$ 314	\$ 25,156	\$ 370
Total impaired loans:							
Real estate mortgage	\$ 13,319	\$ 14,173	\$ 60	\$ 11,248	\$ 142	\$ 11,342	\$ 167
Production and intermediate-term Agribusiness	27,297	29,620	2,552	23,051	290	23,244	342
Processing and marketing Farm-related business	56	54	-	48	1	48	1
Total agribusiness	32	33	-	27	-	27	-
Energy and water/waste disposal	88	87	-	75	1	75	1
Rural residential real estate	340	345	343	287	4	290	4
Lease receivables	306	501	26	258	3	260	4
Other (including mission-related)	28	80	-	24	-	24	-
Total	3,948	3,852	180	3,334	42	3,362	49
Total	\$ 45,326	\$ 48,658	\$ 3,161	\$ 38,277	\$ 482	\$ 38,597	\$ 567

	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 June 30, 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 March 31, 2013	\$ 1,868	\$ 6,625	\$ 803	\$ 346	\$ 886	\$ 441	\$ 26	\$ 34	\$ 181	\$ 11,210
Charge-offs	-	(62)	-	-	-	-	-	(5)	-	(67)
Recoveries	73	20	309	-	-	-	-	-	-	402
Provision for loan losses	(267)	1,760	(592)	(97)	(233)	10	(1)	47	-	627
Balance at June 30, 2013	\$ 1,674	\$ 8,343	\$ 520	\$ 249	\$ 653	\$ 451	\$ 25	\$ 76	\$ 181	\$ 12,172
Balance at December 31, 2012	\$ 1,926	\$ 6,533	\$ 810	\$ 288	\$ 487	\$ 417	\$ 25	\$ 37	\$ 181	\$ 10,704
Charge-offs	(11)	(77)	-	-	-	-	-	(5)	-	(93)
Recoveries	78	34	309	-	-	-	-	-	-	421
Provision for loan losses	(319)	1,853	(599)	(39)	166	34	-	44	-	1,140
Balance at June 30, 2013	\$ 1,674	\$ 8,343	\$ 520	\$ 249	\$ 653	\$ 451	\$ 25	\$ 76	\$ 181	\$ 12,172
Balance at March 31, 2012	\$ 1,486	\$ 4,643	\$ 542	\$ 192	\$ 286	\$ 221	\$ -	\$ 10	\$ -	\$ 7,380
Charge-offs	-	(212)	-	-	-	-	-	-	-	(212)
Recoveries	1	1	-	-	-	-	-	-	-	2
Provision for loan losses	(98)	732	275	60	39	(30)	-	(1)	-	977
Balance at June 30, 2012	\$ 1,389	\$ 5,164	\$ 817	\$ 252	\$ 325	\$ 191	\$ -	\$ 9	\$ -	\$ 8,147
Balance at December 31, 2011	\$ 1,380	\$ 5,566	\$ 543	\$ 176	\$ 271	\$ 136	\$ -	\$ 16	\$ -	\$ 8,088
Charge-offs	(4)	(218)	-	-	-	(15)	-	-	-	(237)
Recoveries	5	45	-	-	-	-	-	-	-	50
Provision for loan losses	8	(229)	274	76	54	70	-	(7)	-	246
Balance at June 30, 2012	\$ 1,389	\$ 5,164	\$ 817	\$ 252	\$ 325	\$ 191	\$ -	\$ 9	\$ -	\$ 8,147
Loans individually evaluated for impairment	\$ 60	\$ 2,552	\$ -	\$ -	\$ 343	\$ 26	\$ -	\$ -	\$ 180	\$ 3,161
Loans collectively evaluated for impairment	1,615	5,791	520	249	310	425	25	75	1	9,011
Balance at June 30, 2013	\$ 1,675	\$ 8,343	\$ 520	\$ 249	\$ 653	\$ 451	\$ 25	\$ 75	\$ 181	\$ 12,172
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	\$ 3,558	\$ 17,544	\$ -	\$ -	\$ 343	\$ 136	\$ -	\$ -	\$ 3,972	\$ 25,553
Loans collectively evaluated for impairment	633,432	531,183	115,345	62,496	26,765	23,010	17,377	500	308	1,410,416
Ending balance at June 30, 2013	\$ 636,990	\$ 548,727	\$ 115,345	\$ 62,496	\$ 27,108	\$ 23,146	\$ 17,377	\$ 500	\$ 4,280	\$ 1,435,969
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.

	Three months ended June 30, 2013			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	\$ 120	\$ -	\$ -	\$ 120
Production and intermediate-term	-	355	-	355
Total	\$ 120	\$ 355	\$ -	\$ 475

Three months ended June 30, 2013							Effects of Modification	
	Post-modification Outstanding Recorded Investment				Total	Provisions	Charge-offs	
	Interest Concessions	Principal Concessions	Other Concessions					
Troubled debt restructurings:								
Real estate mortgage	\$ 116	\$ -	\$ -	\$ -	\$ 116	\$ 8	\$ (11)	
Production and intermediate-term	-	355	-	-	355	-	-	
Total	\$ 116	\$ 355	\$ -	\$ -	\$ 471	\$ 8	\$ (11)	

Six months ended June 30, 2013				
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	\$ 120	\$ -	\$ -	\$ 120
Production and intermediate-term	-	355	-	355
Total	\$ 120	\$ 355	\$ -	\$ 475

Six months ended June 30, 2013							Effects of Modification	
	Post-modification Outstanding Recorded Investment				Total	Provisions	Charge-offs	
	Interest Concessions	Principal Concessions	Other Concessions					
Troubled debt restructurings:								
Real estate mortgage	\$ 116	\$ -	\$ -	\$ -	\$ 116	\$ 8	\$ (11)	
Production and intermediate-term	-	355	-	-	355	-	-	
Total	\$ 116	\$ 355	\$ -	\$ -	\$ 471	\$ 8	\$ (11)	

Three months ended June 30, 2012				
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	\$ -	\$ 847	\$ -	\$ 847
Production and intermediate-term	-	933	-	933
Agribusiness				
Farm-related business	-	25	-	25
Total	\$ -	\$ 1,805	\$ -	\$ 1,805

Three months ended June 30, 2012							Effects of Modification	
	Post-modification Outstanding Recorded Investment				Total	Provisions	Charge-offs	
	Interest Concessions	Principal Concessions	Other Concessions					
Troubled debt restructurings:								
Real estate mortgage	\$ -	\$ 847	\$ -	\$ -	\$ 847	\$ -	\$ -	
Production and intermediate-term	-	933	-	-	933	-	-	
Agribusiness								
Farm-related business	-	25	-	-	25	-	-	
Total	\$ -	\$ 1,805	\$ -	\$ -	\$ 1,805	\$ -	\$ -	

Six months ended June 30, 2012				
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	\$ -	\$ 1,853	\$ -	\$ 1,853
Production and intermediate-term	-	1,466	-	1,466
Agribusiness				
Farm-related business	-	258	-	258
Total	\$ -	\$ 3,577	\$ -	\$ 3,577

Six months ended June 30, 2012					Effects of Modification	
	Post-modification Outstanding Recorded Investment				Provisions	Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total		
Troubled debt restructurings:						
Real estate mortgage	\$ -	\$ 1,853	\$ -	\$ 1,853	\$ -	\$ -
Production and intermediate-term Agribusiness	-	1,466	-	1,466	-	-
Farm-related business	-	258	-	258	-	-
Total	\$ -	\$ 3,577	\$ -	\$ 3,577	\$ -	\$ -

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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Defaulted troubled debt restructurings:				
Real estate mortgage	\$ -	\$ 136	\$ -	\$ 136
Production and intermediate-term Agribusiness	158	913	219	913
Farm-related business	-	8	-	8
Total	\$ 158	\$ 1,057	\$ 219	\$ 1,057

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	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Real estate mortgage	\$ 5,849	\$ 5,401	\$ 2,710	\$ 1,505
Production and intermediate-term	14,888	15,935	7,937	8,524
Total Loans	\$ 20,737	\$ 21,336	\$ 10,647	\$ 10,029

Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings was \$1,231 and \$1,604 at June 30, 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 June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Pension	\$ 804	\$ 793	\$ 1,608	\$ 1,587
401(k)	126	121	251	236
Other postretirement benefits	125	104	250	207
Total	\$ 1,055	\$ 1,018	\$ 2,109	\$ 2,030

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

	Actual YTD Through 6/30/13	Projected Contributions For Remainder of 2013	Projected Total Contributions 2013
Pension	\$ 10	\$ 3,117	\$ 3,127
Other postretirement benefits	217	247	464
Total	\$ 227	\$ 3,364	\$ 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 7.77 percent of the issued stock of the Bank as of June 30, 2013 net of any reciprocal investment. As of that date, the Bank's assets totaled \$28.1 billion and shareholders' equity totaled \$2.3 billion. The Bank's earnings were \$232 million for the first six 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 June 30, 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 June 30, 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	(104)
Transfers in and/or out of level 3	-
Balance at June 30, 2013	<u>\$ 124</u>

	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	44
Settlements	-
Transfers in and/or out of level 3	-
Balance at June 30, 2012	<u>\$ 337</u>

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	\$ 2,346	Discounted cash flow	Risk adjusted spread	2.00% - 8.25%
Impaired loans and other property owned	\$ 42,165	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 Six Months Ended June 30, 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	\$ 396	\$ 396	\$ -	\$ -	\$ 396	
Recurring Assets	\$ 396	\$ 396	\$ -	\$ -	\$ 396	
Liabilities:						
Standby letters of credit	\$ 124	\$ -	\$ -	\$ 124	\$ 124	
Recurring Liabilities	\$ 124	\$ -	\$ -	\$ 124	\$ 124	
Nonrecurring Measurements						
Assets:						
Impaired loans	\$ 42,165	\$ -	\$ -	\$ 42,165	\$ 42,165	\$ (999)
Other property owned	-	-	-	-	-	(68)
Nonrecurring Assets	\$ 42,165	\$ -	\$ -	\$ 42,165	\$ 42,165	\$ (1,067)
Other Financial Instruments						
Assets:						
Cash	\$ 772	\$ 772	\$ -	\$ -	\$ 772	
Investment securities, held-to-maturity	2,342	-	-	2,346	2,346	
Loans	1,375,343	-	-	1,370,108	1,370,108	
Other Assets	\$ 1,378,457	\$ 772	\$ -	\$ 1,372,454	\$ 1,373,226	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	\$ 1,166,362	\$ -	\$ -	\$ 1,152,608	\$ 1,152,608	
Other Liabilities	\$ 1,166,362	\$ -	\$ -	\$ 1,152,608	\$ 1,152,608	

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 March 31, 2013	\$ (41)
Other comprehensive income before reclassifications	-
Amounts reclassified from AOCI	-
Net current period other comprehensive income	-
Balance at June 30, 2013	<u>\$ (41)</u>
Balance at December 31, 2012	\$ (41)
Other comprehensive income before reclassifications	-
Amounts reclassified from AOCI	-
Net current period other comprehensive income	-
Balance at June 30, 2013	<u>\$ (41)</u>
Balance at March 31, 2012	\$ (21)
Other comprehensive income before reclassifications	-
Amounts reclassified from AOCI	-
Net current period other comprehensive income	-
Balance at June 30, 2012	<u>\$ (21)</u>
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 June 30, 2012	<u>\$ (21)</u>

Reclassifications Out of Accumulated Other Comprehensive Income (b)					
	For the three months ended June 30,		For the six months ended June 30,		Income Statement Line Item
	2013	2012	2013	2012	
Defined Benefit Pension Plans:					
Periodic pension costs	\$ -	\$ -	\$ -	\$ -	See footnote 5.
Net amounts reclassified	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

(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 August 7, 2013, which is the date the financial statements were issued.