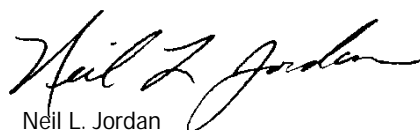

AgCredit Agricultural Credit Association

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide 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 and 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, 2009. In making the assessment, management used the framework in *Internal Control—Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of March 31, 2009 the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2009.



Neil L. Jordan
Chief Executive Officer



Daniel Ebert
Chief Financial Officer

April, 2009

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Ag Credit Agricultural Credit Association (Association) for the three months ended March 31, 2009. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2008 Annual Report of the Association. The accompanying consolidated financial statements (financial statements) were prepared under the oversight of the Audit Committee of the Board of Directors, which includes Paul N. Aley, S. Jerry Layman and Keith L. Roberts. The results for the first three months of 2009 are not necessarily indicative of results to be expected for the year.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities, including general cash grain crops, livestock and horticultural products. These commodities totaled approximately \$716,995 or 78.65 percent of the loan portfolio as of March 31, 2009. The Association recognizes the commodity concentration risk exceeds normally accepted industry standards. This risk is partially offset by non-farm income sources for many borrowers, especially less than full-time farmers. A more significant offset to the commodity concentration risk is the use of governmental loan guarantees. The loan guarantees are obtained through the Farm Service Agency (FSA) and the U. S. Department of Agriculture (USDA). As of March 31, 2009 the Association has \$242,948 of guaranteed loan volume, which is 26.65 percent of loans. Loan guarantees reduce the potential of loss in the Association's loan portfolio and help to leverage the Association's capital.

Gross loan volume of the Association as of March 31, 2009 was \$911,593, a decrease of \$13,432 as compared to \$925,025 at December 31, 2008. The 1.45 percent reduction in loan volume is related to a decrease in production and intermediate term loan volume and a small decrease in rural residential real estate and processing and marketing volume. These reductions in volume were offset by increased real estate mortgage and farm-related business loan volume. The decrease in production and intermediate term loan volume is typical for the first three months of the year. Production and intermediate term volume typically decreases during the first quarter of the year as borrowers pay down their operating lines of credit. Net loans outstanding at March 31, 2009 were \$906,682 as compared to \$920,709 at December 31, 2008. Net loans accounted for 96.3 percent of total assets at March 31, 2009 as compared to 95.6 percent at December 31, 2008.

There is an inherent risk in the extension of any type of credit. There are no significant potential credit risks identified within the loan portfolio that could adversely impact the performance of the portfolio in the near future. Portfolio credit quality remains strong and credit administration is satisfactory. Nonaccrual loans decreased by \$42 from \$2,971 at December 31, 2008 to \$2,929 at March 31, 2009. The decrease resulted from payments received on nonaccrual loans exceeding any transfers of loans to nonaccrual status.

Association management maintains an allowance for loan losses (allowance) sufficient to cover the possible losses in the loan portfolio based on current and expected future conditions. During the first three months of 2009 the Association recorded an increase in the allowance of \$575 and recognized net recoveries of \$20. For the same period of 2008, the Association recorded an increase in the allowance of \$291 and recognized net charge-offs of \$19. The allowance was \$4,911 at March 31, 2009 compared to \$4,316 at December 31, 2008.

RESULTS OF OPERATIONS

For the three months ending March 31, 2009

Net income for the three months ended March 31, 2009 (Q1 2009) was \$4,979, which is an increase of \$337 or 7.26 percent when compared to the net income of \$4,642 for the same period in 2008 (Q1 2008). The increase in net income was primarily due to an increase in net interest income and non-interest income offset by an increase in provision for loan losses and operating expenses.

Net interest income for Q1 2009 increased by \$546 or 9.33 percent when compared to Q1 2008. The increase was mainly due to earnings generated on increased loan volume offset by the lower general market interest rates which reduced the income on the Association's own funds in loans.

The Association recorded a \$575 provision for loan losses (provision) for Q1 2009 as compared to a \$291 provision for Q1 2008. The increased provision resulted primarily from the increase in loan volume previously discussed.

Noninterest income is primarily comprised of loan fee income, fees for financially related services (FRS), equity in earnings from the AgFirst Farm Credit Bank (the Bank) and other noninterest income. The increase in noninterest income of \$462 or 29.86 percent is primarily a result of the \$294 increase in equity in earnings from the Bank and the \$157 increase in loan fee income. The equity in earnings from the Bank increased as a result of increased borrowing from the Bank to fund the increased loan activity over the past twelve months. Loan fee income increased due to a significant amount of loan re-pricing activity during Q1 2009 resulting from the low market interest rates.

Noninterest expense for Q1 2009 was \$2,818 as compared to \$2,427 for Q1 2008. The \$391 or 16.11 percent increase is primarily a result of increased expenses for additional employees, pensions, scheduled salary increases and related benefits, FCSIC insurance premiums, furniture and equipment.

The provision for income taxes was \$33 and \$37 for Q1 2009 and Q1 2008, respectively.

The following table shows the key results of operations ratios for the three months ended March 31, 2009 and March 31, 2008, respectively.

	3/31/09	3/31/08
Return on average assets	2.15%	2.33%
Return on average equity	14.18%	14.32%
Net interest margin	2.86%	3.05%

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

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. Additional information on the GFA, liquidity and funding process and funding management is found on page 16 of the 2008 Annual Report. The total notes payable to the Bank at March 31, 2009 was \$783,390 as compared to \$808,479 at December 31, 2008. The \$25,089 or 3.10 percent decrease is primarily attributed to the repayment on the Association's loan with the Bank as a result of the reduction in loan volume previously discussed, earnings, reduced interest receivable and the receipt of the Bank's 2008 patronage refund to the Association.

CAPITAL RESOURCES

Total members' equity increased by \$5,132 or 3.68 percent to \$144,484 at March 31, 2009 as compared to the December 31, 2008 total of \$139,352. The increase is primarily related to current year earnings and an increase in capital stock and participation certificates and an increase in allocated equities.

At March 31, 2009, the Association's permanent capital ratio, total surplus ratio and core surplus ratio exceeded the regulatory minimum requirements of 7 percent, 7 percent and 3.5 percent, respectively. These ratios are calculated in accordance with Farm Credit Administration (FCA) regulations and are defined below:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. As of March 31, 2009 our ratio was 17.41 percent.

- The total surplus ratio is average unallocated and allocated surplus less any deductions made in the permanent capital divided by average risk-adjusted assets. As of March 31, 2009 our ratio was 15.85 percent.
- The core surplus ratio is average unallocated surplus and eligible allocated surplus less the Association's average investment in the Bank divided by average risk-adjusted assets. As of March 31, 2009 our ratio was 14.40 percent.

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

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

AgCredit Agricultural Credit Association

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2009 <i>(unaudited)</i>	December 31, 2008 <i>(audited)</i>
Assets		
Cash	\$ 3,166	\$ 4,165
Loans	911,593	925,025
Less: allowance for loan losses	4,911	4,316
Net loans	906,682	920,709
Accrued interest receivable	14,918	17,666
Investment in other Farm Credit institutions	11,857	11,857
Premises and equipment, net	1,712	1,735
Due from AgFirst Farm Credit Bank	1,545	5,553
Other assets	1,739	1,744
Total assets	\$ 941,619	\$ 963,429
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 783,390	\$ 808,479
Accrued interest payable	2,379	2,754
Patronage refund payable	110	5,359
Other liabilities	11,256	7,485
Total liabilities	797,135	824,077
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	11,912	11,490
Retained earnings		
Allocated	73,384	73,039
Unallocated	59,188	54,823
Total members' equity	144,484	139,352
Total liabilities and members' equity	\$ 941,619	\$ 963,429

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

AgCredit Agricultural Credit Association

Consolidated Statements of Income

(unaudited)

For the three months
ended March 31,

(dollars in thousands)

	2009	2008
Interest Income		
Loans	\$ 13,580	\$ 14,086
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	7,184	8,231
Other	—	5
	7,184	8,236
Total interest expense		
Net interest income	6,396	5,850
Provision for loan losses	575	291
	5,821	5,559
Net interest income after provision for loan losses		
Noninterest Income		
Loan fees	355	198
Fees for financially related services	70	57
Equity in earnings of other Farm Credit institutions	1,545	1,251
Other noninterest income	39	41
	2,009	1,547
Total noninterest income		
Noninterest Expense		
Salaries and employee benefits	1,677	1,374
Occupancy and equipment	176	154
Insurance Fund premium	282	214
Other operating expenses	683	685
	2,818	2,427
Total noninterest expense		
Income before income taxes	5,012	4,679
Provision for income taxes	33	37
	4,979	4,642
Net income	\$ 4,979	\$ 4,642

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

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

(unaudited)

(dollars in thousands)

	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
		Allocated	Unallocated	
Balance at December 31, 2007	\$ 9,171	\$ 65,418	\$ 52,637	\$ 127,226
Net income			4,642	4,642
Capital stock/participation certificates issued, net	771			771
Dividends declared/paid	(10)		(37)	(47)
Retained earnings retired		(11)		(11)
Patronage distribution adjustment		3	(4)	(1)
Balance at March 31, 2008	\$ 9,932	\$ 65,410	\$ 57,238	\$ 132,580
Balance at December 31, 2008	\$ 11,490	\$ 73,039	\$ 54,823	\$ 139,352
Net income			4,979	4,979
Capital stock/participation certificates issued, net	418			418
Dividends declared/paid	4		(53)	(49)
Patronage distribution adjustment		345	(561)	(216)
Balance at March 31, 2009	\$ 11,912	\$ 73,384	\$ 59,188	\$ 144,484

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

Ag Credit Agricultural Credit Association

Notes to the Consolidated Financial Statements

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

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

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

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

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

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2009 the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In addition to the recently issued accounting pronouncements discussed in the 2008 Annual Report to Shareholders, effective January 1, 2009, the Association adopted Financial Accounting Standards Board (FASB) Statement of Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The impact of adoption requires additional fair value disclosures, if applicable, but does not have an impact on the Association's financial condition or results of operations.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
	2009	2008
Balance at beginning of period	\$ 4,316	\$ 3,500
Provision for loan losses	575	291
Charge-offs	-	-
Recoveries	20	19
Balance at end of period	<u>\$ 4,911</u>	<u>\$ 3,810</u>

The following table presents information concerning impaired loans as of March 31,

	2009	2008
Impaired loans with related allowance	\$ 590	\$ 545
Impaired loans with no related allowance	2,501	695
Total impaired loans	<u>\$ 3,091</u>	<u>\$ 1,240</u>
Allowance on impaired loans	<u>\$ 208</u>	<u>\$ 227</u>

The following table summarizes impaired loan information for the three months ended March 31,

	2009	2008
Average impaired loans	\$ 3,066	\$ 1,363
Interest income recognized on impaired loans	2	8

NOTE 3 – 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,	
	2009	2008
Pension	\$ 304	\$ 95
401(k)	63	57
Other postretirement benefits	75	70
Total	<u>\$ 442</u>	<u>\$ 222</u>

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

	Actual YTD Through 3/31/09	Projected Contributions For Remainder of 2009	Projected Total Contributions 2009
Pension	\$ -	\$ -	\$ -
Other postretirement benefits	30	85	115
Total	\$ 30	\$ 85	\$ 115

Actuarial calculations as of the last plan measurement date (December 31, 2008) projected no contributions to the pension plan for 2009. However, market conditions could impact discount rates and return on plan assets which could make additional contributions necessary before the next plan measurement date of December 31, 2009.

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

NOTE 4 – FAIR VALUE MEASUREMENT

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

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

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

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

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Association has no Level 1 assets or liabilities measured at fair value on a recurring basis at March 31, 2009.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets or liabilities measured at fair value on a recurring basis at March 31, 2009.

Level 3

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

Level 3 assets at March 31, 2009 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying collateral since these were collateral-dependent loans. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Level 3 liabilities at March 31, 2009 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009 for each of the fair value hierarchy levels:

	March 31, 2009			Total Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Standby letters of credit	\$ -	\$ -	\$ 48	\$ 48
Total Liabilities	\$ -	\$ -	\$ 48	\$ 48

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

	Standby Letters Of Credit
Balance at January 1, 2009	\$ 54
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive loss	-
Purchases, sales, issuances and settlements, net	(6)
Transfers in and/or out of level 3	-
Balance at March 31, 2009	<u>\$ 48</u>

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

Assets and liabilities measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy values are summarized below:

	March 31, 2009				
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	\$ -	\$ -	\$ 382	\$ 382	\$ 118