MidAtlantic Farm Credit, ACA

FIRST QUARTER 2012

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2012 quarterly report of MidAtlantic 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.

J. Robert Frazee
Chief Executive Officer

John E. Wheeler, Jr.
Chief Financial Officer

Gary L. Grossnickle
Chairman of the Board

May 9, 2012

MidAtlantic Farm Credit, ACA

Report on Internal Control Over Financial Reporting

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

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2012. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of March 31, 2012, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2012.

J. Robert Frazee
Chief Executive Officer

John E. Wheeler, Jr.
Chief Financial Officer

May 9, 2012

MidAtlantic Farm Credit, ACA

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of MidAtlantic Farm Credit, ACA (Association) for the period ended March 31, 2012. The comments contained in this report should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2011 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for the financing of short- and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio encompasses a well diversified range of agricultural commodities, with cash grains, poultry and dairy representing the largest segments. In addition, the Association provides a significant amount of loans to lessors of agricultural real estate. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the opportunities for non-farm income, impacts the level of dependency on any particular commodity.

Gross loans at March 31, 2012 totaled $2,149,497 compared to $2,168,894 at December 31, 2011, decreasing $19,397 (0.89 percent) during the first three months. The Association's allowance for loan losses of $12,737 increased $1,662 (15.01 percent) during the first three months of 2012 resulting in net loans (gross loans less allowance for loan losses) of $2,136,760 and $2,157,819 at March 31, 2012 and December 31, 2011, respectively. Nonaccrual loans decreased $5,123 (7.37 percent) from $69,556 at December 31, 2011 to $64,433 at March 31, 2012 resulting in a decrease in the ratio of nonaccrual loans to total loans from 3.21 percent to 3.00 percent. The decrease in nonaccrual loans is primarily related to an account in the timber industry. In addition, Other property owned increased from $1,895 at December 31, 2011 (9 properties) to $2,583 at March 31, 2012 (12 properties).

There is an inherent risk in the extension of any type of credit and, accordingly, the Association maintains an allowance for loan losses consistent with the risk measured in the portfolio.

Credit administration remains satisfactory and the overall credit quality of the Association's loan portfolio has remained acceptable. A provision for loan losses of $1,750 was recorded in the first quarter of 2012, that after giving effect to the net impact of charge-offs in excess of recoveries, increased the Association's allowance $1,662 as of March 31, 2012. The allowance for loan losses represented 0.59 percent and 0.51 percent of total loans, and 19.77 percent and 15.92 percent of Nonaccrual loans, at March 31, 2012 and December 31, 2011, respectively. See also Note 2 of "Notes to the Consolidated Financial Statements".

RESULTS OF OPERATIONS

For the three months ended March 31, 2012

Net income for the three months ended March 31, 2012 totaled $10,735, a decrease of $90 (0.83 percent) compared to the three months ended March 31, 2011. Major changes in the components of net income are identified as follows:

- Net interest income increased $18 (0.11 percent) for the quarter ended March 31, 2012 compared to the same period in 2011. The increase in net interest income is primarily attributable to (a) an increased portfolio margin attributable to the decrease in the Association's cost of funds which occurred over the past year, (b) a $131 increase in interest income recognized from Nonaccrual Volume and (c) a $20.8 million decrease in nonaccruing loans from March 31, 2011. This was partially offset by a $204 decrease in the Association's earnings credit due to the decrease in long-term interest rates during the three months ended March 31, 2012 as compared to March 31, 2011.

- The risks identified in the Association's loan portfolio required a provision for loan losses of $1,750 and $2,000 be recorded in the first quarter of 2012 and 2011, respectively. The Association's Nonaccrual loans decreased from 3.21 percent at December 31, 2011 to 3.00 percent of the portfolio at March 31, 2012. See also Note 2 of “Notes to the Consolidated Financial Statements”.

- At March 31, 2012 and 2011, the Association accrued an estimated patronage receipt (reported as “Patronage refunds from other Farm Credit institutions” on the Consolidated Statements of Income) of $3,622 and $3,848, respectively, which is based on first quarter operations only; management anticipates additional income for the remaining quarters in 2012. Since this income from AgFirst Farm Credit Bank (the Bank) is reasonably estimable and because there is a history of these earnings, management is of the opinion that including this income in quarterly operations provides shareholders with a more accurate forecast of annualized net income.

- Total Noninterest income increase in the first quarter of $172 (4.16 percent) included (a) a decrease of $525 from Losses on other property owned, net principally related to the sale of a vineyard property in 2011, and (b) an $83 decrease in other noninterest income which included a $250 accrual for losses on loan commitments in 2012.

- Noninterest expense for the first quarter of 2012 was $8,633 as compared to $8,103 for the first quarter of 2011 or an increase of $530 (6.14 percent). The increase of $284 (4.91 percent) for Salaries and employee benefits is primarily comprised of a $188 increase in salaries expense, and a $96 increase in employee benefits principally related to pension and health plan increases. See also Note 3 of “Notes to the Consolidated Financial Statements”.

  Insurance fund premium expense decreased $64 (21.72 percent) due to the reduction in the FCSIC premium from .06 percent of loans outstanding in 2011 to .05 percent in 2012.

  Occupancy and equipment and Other operating expenses increased $310 (15.32 percent) from $2,023 to $2,333. The increases were primarily related to training, travel, purchased services, equipment and member related expenses.

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 the funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sectors. The Association utilizes the variable rate note to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total Notes payable to the Bank at March 31, 2012 was $1,751,803 compared to $1,784,988 at December 31, 2011. This decrease during the period of $33,185 (1.86 percent) corresponds to the decrease in the Association’s loan volume, receipt of prior year Bank patronage, current year net cash generated from operating activities and offset by patronage payments to stockholders.

CAPITAL RESOURCES

Members’ equity at March 31, 2012 totaled $427,776 an increase of $7,079 (1.68 percent) compared to total members’ equity of $420,697 at December 31, 2011. Net income of $10,735 for the three months ended March 31, 2012 and net member capital stock/participation certificates issued of $25, an estimated cash patronage distribution accrual for the first three months of 2012 totaling $3,274, and net patronage distribution adjustment and retained earnings retired of $393 account for the change.

FCA regulations require that all Farm Credit institutions maintain a minimum permanent capital ratio of 7.0 percent and total surplus and core surplus ratios equal to 3.5 percent. 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. At March 31, 2012, the Association exceeded minimum regulatory standard for all of the ratios as permanent capital, total surplus and core surplus ratios equaled 17.43 percent, 17.05 percent and 16.92 percent, respectively.

REGULATORY MATTERS

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association' annual and quarterly reports are also available upon request free of charge by calling 1-800-333-7950, or writing John E. Wheeler, Jr., Chief Financial Officer, MidAtlantic Farm Credit, ACA, 45 Aileron Court, Westminster, MD 21157-3022, or accessing the website, www.mafc.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.

MidAtlantic Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2012	December 31, 2011
	(unaudited)	*(audited)*
Assets		
Cash	$ 4,624	$ 3,238
Loans	2,149,497	2,168,894
Less: allowance for loan losses	12,737	11,075
Net loans	2,136,760	2,157,819
Accrued interest receivable	13,694	12,593
Investments in other Farm Credit institutions	34,642	34,513
Premises and equipment, net	13,177	13,436
Other property owned	2,583	1,895
Due from AgFirst Farm Credit Bank	3,621	18,225
Other assets	9,558	10,087
Total assets	$ 2,218,659	$ 2,251,806
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 1,751,803	$ 1,784,988
Accrued interest payable	3,795	3,986
Patronage refunds payable	3,624	10,142
Allocated surplus payable	124	8,819
Other liabilities	31,537	23,174
Total liabilities	1,790,883	1,831,109
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	9,469	9,444
Retained earnings		
Allocated	209,356	207,881
Unallocated	209,485	203,892
Accumulated other comprehensive income (loss)	(534)	(520)
Total members' equity	427,776	420,697
Total liabilities and members' equity	$ 2,218,659	$ 2,251,806

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

MidAtlantic Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2012	2011
Interest Income		
Loans	$ 28,368	$ 30,335
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	11,558	13,543
Net interest income	16,810	16,792
Provision for loan losses	1,750	2,000
Net interest income after provision for loan losses	15,060	14,792
Noninterest Income		
Loan fees	369	425
Fees for financially related services	49	54
Patronage refunds from other Farm Credit institutions	3,622	3,848
Gains (losses) on other property owned, net	(80)	(605)
Gains (losses) on sales of rural home loans, net	302	294
Gains (losses) on sales of premises and equipment, net	20	11
Other noninterest income	26	109
Total noninterest income	4,308	4,136
Noninterest Expense		
Salaries and employee benefits	6,070	5,786
Occupancy and equipment	658	627
Insurance Fund premiums	230	294
Other operating expenses	1,675	1,396
Total noninterest expense	8,633	8,103
Net income	$ 10,735	$ 10,825

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

MidAtlantic Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2012		2011	
Net income	$	10,735	$	10,825
Other comprehensive income net of tax				
Employee benefit plans adjustments		(14)		(8)
Comprehensive income	$	10,721	$	10,817

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

MidAtlantic Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2010	$ 9,273	$ 188,125	$ 199,534	$ (414)	$ 396,518
Comprehensive income			10,825	(8)	10,817
Capital stock/participation certificates issued/(retired), net	34				34
Patronage distribution					
Cash			(3,010)		(3,010)
Retained earnings retired		(45)			(45)
Patronage distribution adjustment		409	(866)		(457)
Balance at March 31, 2011	$ 9,307	$ 188,489	$ 206,483	$ (422)	$ 403,857
Balance at December 31, 2011	$ 9,444	$ 207,881	$ 203,892	$ (520)	$ 420,697
Comprehensive income			10,735	(14)	10,721
Capital stock/participation certificates issued/(retired), net	25				25
Patronage distribution					
Cash			(3,274)		(3,274)
Retained earnings retired		(278)	91		(187)
Patronage distribution adjustment		1,753	(1,959)		(206)
Balance at March 31, 2012	$ 9,469	$ 209,356	$ 209,485	$ (534)	$ 427,776

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

Notes to the Consolidated Financial Statements

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

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

The accompanying financial statements include the accounts of MidAtlantic Farm Credit, ACA (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2011, are contained in the 2011 Annual Report to Shareholders. These unaudited first quarter 2012 consolidated financial statements should be read in conjunction with the 2011 Annual Report to Shareholders.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with accounting principles generally accepted in the United States (GAAP) and prevailing practices within the banking industry. The results for the three months ended March 31, 2012, are not necessarily indicative of the results to be expected for the year ending December 31, 2012.

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

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2012, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Recently Issued Accounting Pronouncements

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

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

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

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

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

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	March 31, 2012	December 31, 2011
Real estate mortgage	$ 1,164,880	$ 1,153,432
Production and intermediate-term	788,891	830,302
Agribusiness		
Loans to cooperatives	35,684	22,639
Processing and marketing	45,331	44,034
Farm-related business	68,837	72,353
Total agribusiness	149,852	139,026
Communication	12,032	12,321
Energy	4,497	4,343
Rural residential real estate	29,345	29,470
Total Loans	$ 2,149,497	$ 2,168,894

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

	March 31, 2012							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ –	$ 4,155	$ –	$ –	$ –	$ –	$ –	$ 4,155
Production and intermediate-term	45,197	132,999	5,929	37,579	58,283	–	109,409	170,578
Agribusiness								
Loans to cooperatives	19,548	–	16,423	–	–	–	35,971	–
Processing and marketing	11,838	–	7,500	–	5,556	–	24,894	–
Farm-related business	3,269	–	25,316	5,546	3,358	–	31,943	5,546
Total agribusiness	34,655	–	49,239	5,546	8,914	–	92,808	5,546
Communication	–	–	12,075	–	–	–	12,075	–
Energy	–	–	4,487	–	–	–	4,487	–
Total	$ 79,852	$ 137,154	$ 71,730	$ 43,125	$ 67,197	$ –	$ 218,779	$ 180,279

	December 31, 2011							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ –	$ 5,582	$ –	$ –	$ –	$ –	$ –	$ 5,582
Production and intermediate-term	59,715	129,014	1,977	43,742	52,954	–	114,646	172,756
Agribusiness								
Loans to cooperatives	17,689	–	5,257	–	–	–	22,946	–
Processing and marketing	18,101	–	–	–	5,556	–	23,657	–
Farm-related business	1,306	–	25,643	7,386	3,392	–	30,341	7,386
Total agribusiness	37,096	–	30,900	7,386	8,948	–	76,944	7,386
Communication	–	–	12,367	–	–	–	12,367	–
Energy	–	–	4,368	–	–	–	4,368	–
Total	$ 96,811	$ 134,596	$ 49,612	$ 51,128	$ 61,902	$ –	$ 208,325	$ 185,724

A significant source of liquidity for the Association is the repayments and maturities of loans. The following table presents the contractual maturity distribution of loans by loan type at March 31, 2012 and indicates that approximately 16.99 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	$ 32,612	$ 461,933	$ 670,335	$ 1,164,880
Production and intermediate-term	219,203	370,538	199,150	788,891
Agribusiness				
Loans to cooperatives	27,993	6,791	900	35,684
Processing and marketing	37,133	4,089	4,109	45,331
Farm-related business	31,307	29,705	7,825	68,837
Total agribusiness	96,433	40,585	12,834	149,852
Communication	11,761	264	7	12,032
Energy	1,288	(14)	3,223	4,497
Rural residential real estate	3,939	13,147	12,259	29,345
Total Loans	$ 365,236	$ 886,453	$ 897,808	$ 2,149,497

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

	March 31, 2012	December 31, 2011
Real estate mortgage:		
Acceptable	91.33%	90.95%
OAEM	4.45	4.90
Substandard/doubtful/loss	4.22	4.15
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	84.99%	86.43%
OAEM	7.88	6.78
Substandard/doubtful/loss	7.13	6.79
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	72.04%	55.08%
OAEM	27.96	44.92
Substandard/doubtful/loss	0.00	0.00
	100.00%	100.00%
Processing and marketing:		
Acceptable	64.88%	52.82%
OAEM	6.55	18.92
Substandard/doubtful/loss	28.57	28.26
	100.00%	100.00%
Farm-related business:		
Acceptable	96.75%	96.37%
OAEM	2.24	2.17
Substandard/doubtful/loss	1.01	1.46
	100.00%	100.00%

	March 31, 2012	December 31, 2011
Total agribusiness:		
Acceptable	81.25%	75.91%
OAEM	9.66	14.41
Substandard/doubtful/loss	9.09	9.68
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	0.00	0.00
Substandard/doubtful/loss	0.00	0.00
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	99.29%	100.00%
OAEM	0.71	0.00
Substandard/doubtful/loss	0.00	0.00
	100.00%	100.00%
Rural residential real estate:		
Acceptable	83.94%	84.14%
OAEM	3.77	4.58
Substandard/doubtful/loss	12.29	11.28
	100.00%	100.00%
Total Loans:		
Acceptable	88.27%	88.23%
OAEM	6.03	6.19
Substandard/doubtful/loss	5.70	5.58
	100.00%	100.00%

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

	March 31, 2012					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 8,486	$ 16,632	$ 25,118	$ 1,147,549	$ 1,172,667	$ 38
Production and intermediate-term	4,247	16,660	20,907	773,194	794,101	213
Agribusiness						
Loans to cooperatives	–	–	–	35,790	35,790	–
Processing and marketing	–	–	–	45,381	45,381	–
Farm-related business	119	116	235	68,968	69,203	–
Total agribusiness	119	116	235	150,139	150,374	–
Communication	–	–	–	12,037	12,037	–
Energy and water/waste disposal	–	–	–	4,535	4,535	–
Rural residential real estate	608	468	1,076	28,401	29,477	–
Total	$ 13,460	$ 33,876	$ 47,336	$ 2,115,855	$ 2,163,191	$ 251

	December 31, 2011					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 8,309	$ 17,516	$ 25,825	$ 1,134,600	$ 1,160,425	$ –
Production and intermediate-term	3,379	18,720	22,099	813,006	835,105	–
Agribusiness						
Loans to cooperatives	–	–	–	22,714	22,714	–
Processing and marketing	–	–	–	44,078	44,078	–
Farm-related business	310	445	755	72,134	72,889	–
Total agribusiness	310	445	755	138,926	139,681	–
Communication	–	–	–	12,326	12,326	–
Energy and water/waste disposal	–	–	–	4,359	4,359	–
Rural residential real estate	787	598	1,385	28,206	29,591	–
Total	$ 12,785	$ 37,279	$ 50,064	$ 2,131,423	$ 2,181,487	$ –

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

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

	March 31, 2012	December 31, 2011
Nonaccrual loans:		
Real estate mortgage	$ 25,981	$ 25,572
Production and intermediate-term	23,743	29,414
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	12,966	12,458
Farm-related business	115	428
Total agribusiness	13,081	12,886
Rural residential real estate	1,628	1,684
Total nonaccrual loans	$ 64,433	$ 69,556
Accruing restructured loans:		
Real estate mortgage	$ 5,294	$ 3,636
Production and intermediate-term	6,353	5,610
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	–	–
Farm-related business	499	–
Total agribusiness	499	–
Rural residential real estate	–	–
Total accruing restructured loans	$ 12,146	$ 9,246
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 38	$ –
Production and intermediate-term	213	–
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Total accruing loans 90 days or more past due	$ 251	$ –
Total nonperforming loans	$ 76,830	$ 78,802
Other property owned	2,583	1,895
Total nonperforming assets	$ 79,413	$ 80,697
Nonaccrual loans as a percentage of total loans	3.00%	3.21%
Nonperforming assets as a percentage of total loans and other property owned	3.69%	3.72%
Nonperforming assets as a percentage of capital	18.56%	19.18%

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

	March 31, 2012	December 31, 2011
Impaired nonaccrual loans:		
Current as to principal and interest	$ 25,085	$ 30,010
Past due	39,348	39,546
Total impaired nonaccrual loans	64,433	69,556
Impaired accrual loans:		
Restructured	12,146	–
90 days or more past due	251	9,246
Total impaired accrual loans	12,397	9,246
Total impaired loans	$ 76,830	$ 78,802

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

	March 31, 2012			Quarter Ended March 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 6,433	$ 7,287	$ 455	$ 6,524	$ 18
Production and intermediate-term	10,094	11,909	2,267	10,237	29
Agribusiness					
Processing and marketing	1,295	1,323	–	1,313	4
Farm-related business	116	124	23	117	–
Total agribusiness	1,411	1,447	23	1,430	4
Rural residential real estate	807	898	193	818	2
Total	$ 18,745	$ 21,541	$ 2,938	$ 19,009	$ 53
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 24,880	$ 28,903	$ –	$ 25,231	$ 70
Production and intermediate-term	20,215	35,177	–	20,499	56
Agribusiness					
Processing and marketing	11,671	14,062	–	11,836	32
Farm-related business	498	502	–	505	2
Total agribusiness	12,169	14,564	–	12,341	34
Rural residential real estate	821	1,200	–	833	3
Total	$ 58,085	$ 79,844	$ –	$ 58,904	$ 163
Total impaired loans:					
Real estate mortgage	$ 31,313	$ 36,190	$ 455	$ 31,755	$ 88
Production and intermediate-term	30,309	47,086	2,267	30,736	85
Agribusiness					
Processing and marketing	12,966	15,385	–	13,149	36
Farm-related business	614	626	23	622	2
Total agribusiness	13,580	16,011	23	13,771	38
Rural residential real estate	1,628	2,098	193	1,651	5
Total	$ 76,830	$ 101,385	$ 2,938	$ 77,913	$ 216

	December 31, 2011			Year Ended December 31, 2011	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 5,119	$ 5,722	$ 546	$ 6,152	$ 183
Production and intermediate-term	5,012	6,876	1,735	6,023	180
Agribusiness					
Processing and marketing	1,405	1,416	–	1,688	50
Farm-related business	332	367	24	399	12
Total agribusiness	1,737	1,783	24	2,087	62
Rural residential real estate	950	1,048	167	1,142	34
Total	$ 12,818	$ 15,429	$ 2,472	$ 15,404	$ 459
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 24,089	$ 31,257	$ –	$ 28,948	$ 862
Production and intermediate-term	30,012	59,453	–	36,067	1,074
Agribusiness					
Processing and marketing	11,053	13,252	–	13,283	396
Farm-related business	96	212	–	115	3
Total agribusiness	11,149	13,464	–	13,398	399
Rural residential real estate	734	1,099	–	882	26
Total	$ 65,984	$ 105,273	$ –	$ 79,295	$ 2,361
Total impaired loans:					
Real estate mortgage	$ 29,208	$ 36,979	$ 546	$ 35,100	$ 1,045
Production and intermediate-term	35,024	66,329	1,735	42,090	1,254
Agribusiness					
Processing and marketing	12,458	14,668	–	14,971	446
Farm-related business	428	579	24	514	15
Total agribusiness	12,886	15,247	24	15,485	461
Rural residential real estate	1,684	2,147	167	2,024	60
Total	$ 78,802	$ 120,702	$ 2,472	$ 94,699	$ 2,820

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

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

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

	March 31, 2012						
	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Allowance for credit losses:							
Balance at December 31, 2011	$ 2,300	$ 7,564	$ 874	$ 15	$ 22	$ 300	$ 11,075
Charge-offs	(22)	(38)	(101)	–	–	(52)	(213)
Recoveries	18	105	–	–	–	2	125
Provision for loan losses	1	1,586	70	(1)	2	92	1,750
Balance at March 31, 2012	$ 2,297	$ 9,217	$ 843	$ 14	$ 24	$ 342	$ 12,737
March 31, 2012 allowance ending balance:							
Loans individually evaluated for impairment	$ 455	$ 2,267	$ 23	$ –	$ –	$ 193	$ 2,938
Loans collectively evaluated for impairment	$ 1,842	$ 6,950	$ 820	$ 14	$ 24	$ 149	$ 9,799
Recorded investment in loans outstanding:							
Ending Balance at March 31, 2012	$ 1,172,667	$ 794,101	$ 150,374	$ 12,037	$ 4,535	$ 29,477	$ 2,163,191
March 31, 2012 recorded investment ending balance:							
Loans individually evaluated for impairment	$ 25,981	$ 23,743	$ 13,081	$ –	$ –	$ 1,628	$ 64,433
Loans collectively evaluated for impairment	$ 1,146,686	$ 770,358	$ 137,293	$ 12,037	$ 4,535	$ 27,849	$ 2,098,758

	December 31, 2011						
	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Allowance for credit losses:							
Balance at December 31, 2010	$ 3,481	$ 12,351	$ 1,375	$ 9	$ 20	$ 185	$ 17,421
Charge-offs	(6,038)	(13,239)	(2,172)	–	–	(69)	(21,518)
Recoveries	90	521	–	–	–	11	622
Provision for loan losses	4,767	7,931	1,671	6	2	173	14,550
Balance at December 31, 2011	$ 2,300	$ 7,564	$ 874	$ 15	$ 22	$ 300	$ 11,075
December 31, 2011 allowance ending balance:							
Loans individually evaluated for impairment	$ 546	$ 1,735	$ 24	$ –	$ –	$ 167	$ 2,472
Loans collectively evaluated for impairment	$ 1,754	$ 5,829	$ 850	$ 15	$ 22	$ 133	$ 8,603
Recorded investment in loans outstanding:							
Ending Balance at December 31, 2011	$ 1,160,425	$ 835,105	$ 139,681	$ 12,326	$ 4,359	$ 29,591	$ 2,181,487
December 31, 2011 recorded investment ending balance:							
Loans individually evaluated for impairment	$ 25,572	$ 29,414	$ 12,886	$ –	$ –	$ 1,684	$ 69,556
Loans collectively evaluated for impairment	$ 1,134,853	$ 805,691	$ 126,795	$ 12,326	$ 4,359	$ 27,907	$ 2,111,931

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about activity that occurred during the periods presented, related to TDRs. The table does not include purchased credit impaired loans.

	Three months ended March 31, 2012			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 1,666	$ –	$ 1,666
Production and intermediate-term	1,055	5,899	–	6,954
Total	$ 1,055	$ 7,565	$ –	$ 8,620

	Three months ended March 31, 2012					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ –	$ 1,684	$ –	$ 1,684	$ –	$ –
Production and intermediate-term	1,055	5,881	–	6,936	630	–
Total	$ 1,055	$ 7,565	$ –	$ 8,620	$ 630	$ –

	Three months ended March 31, 2011			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ 177	$ 782	$ –	$ 959
Production and intermediate-term	–	2,670	3,711	6,381
Total	$ 177	$ 3,452	$ 3,711	$ 7,340

	Three months ended March 31, 2011					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ 176	$ 782	$ –	$ 958	$ –	$ –
Production and intermediate-term	–	2,670	1,411	4,081	66	(1,349)
Total	$ 176	$ 3,452	$ 1,411	$ 5,039	$ 66	$ (1,349)

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

The following table presents information regarding TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the first quarter of 2012. Payment default is defined as a payment that was thirty days or more past due.

	Outstanding Recorded Investment at March 31, 2012
Defaulted troubled debt restructurings:	
Real estate mortgage	$ 529
Production and intermediate-term	4,872
Total	$ 5,401

TDRs outstanding at period end totaled $29,244, of which $17,098 were in nonaccrual status.

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, 2012	2011
Pension	$ 1,441	$ 1,396
401(k)	130	116
Other postretirement benefits	188	228
Total	$ 1,759	$ 1,740

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

	Actual YTD Through 3/31/12	Projected Contributions For Remainder of 2012	Projected Total Contributions 2012
Pension	$ 3	$ 4,368	$ 4,371
Other postretirement benefits	118	344	462
Total	$ 121	$ 4,712	$ 4,833

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

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

NOTE 4 – FAIR VALUE MEASUREMENT

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

This guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

This guidance establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 9.68 percent of the issued stock of the Bank as of March 31, 2012 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.1 billion and shareholders' equity totaled $2.2 billion. The Bank's earnings were $123 million for the first three months of 2012. In addition, the Association has an investment of $872 related to other Farm Credit institutions.

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

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

Level 1

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

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets or liabilities measured at fair value on a recurring basis at March 31, 2012.

The carrying value of accrued interest approximates its fair value.

Level 3

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

Level 3 assets at March 31, 2012 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under FASB guidance. The fair value was based upon the underlying collateral since these were collateral-dependent loans. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Because no active market exists for the Association's accruing loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans currently would be made to borrowers with similar credit risk. The loan portfolio is segregated into pools of loans with homogeneous characteristics based upon repricing and credit risk. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool. Fair values of loans in a nonaccrual status are estimated to be the carrying amount of the loan less specific reserves (see Level 3 below).

The notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets) which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

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

For commitments to extend credit, the estimated market value of off-balance-sheet commitments is minimal since the committed rate approximates current rates offered for commitments with similar rate and maturity characteristics; therefore, the related credit risk is not significant.

Information about Sensitivity to Changes in Significant Unobservable Inputs

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

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

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

	Standby Letters Of Credit
Balance at January 1, 2012	$ 99
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	–
Settlements	(36)
Transfers in and/or out of level 3	–
Balance at March 31, 2012	$ 63

	Standby Letters Of Credit
Balance at January 1, 2011	$ 206
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	–
Settlements	(44)
Transfers in and/or out of level 3	–
Balance at March 31, 2011	$ 162

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

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

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

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility
Accrued interest	Carrying value	Coupon interest rates
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility

Quoted market prices are generally not available for certain System financial instruments, as described below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

	March 31, 2012					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Comprehensive Income
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 857	$ 857	$ –	$ –	$ 857	$ 44
Recurring Assets	$ 857	$ 857	$ –	$ –	$ 857	$ 44
Liabilities:						
Standby letters of credit	$ 63	$ –	$ –	$ 63	$ 63	$ –
Recurring Liabilities	$ 63	$ –	$ –	$ 63	$ 63	$ –
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 73,893	$ –	$ –	$ 73,893	$ 73,893	$ (554)
Other property owned	2,583	–	–	2,868	2,868	(44)
Nonrecurring Assets	$ 76,476	$ –	$ –	$ 76,761	$ 76,761	$ (598)
Other Financial Instruments						
Assets:						
Cash	$ 4,624	$ 4,624	$ –	$ –	$ 4,624	
Loans	2,062,868	–	–	2,077,351	2,077,351	
Accrued interest receivable	13,694	–	13,694	–	13,694	
Other Assets	$ 2,081,186	$ 4,624	$ 13,694	$ 2,077,351	$ 2,095,669	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,751,803	$ –	$ –	$ 1,761,557	$ 1,761,557	
Accrued interest payable	3,795	–	3,795	–	3,795	
Other Liabilities	$ 1,755,598	$ –	$ 3,795	$ 1,761,557	$ 1,765,352	

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

	December 31, 2011			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Assets held in trust funds	$ 808	$ –	$ –	$ 808
Total Assets	$ 808	$ –	$ –	$ 808
Liabilities:				
Standby letters of credit	$ –	$ –	$ 99	$ 99
Total Liabilities	$ –	$ –	$ 99	$ 99

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

	December 31, 2011				
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	$ –	$ –	$ 11,073	$ 11,073	$ (15,122)
Other property owned	$ –	$ –	$ 2,023	$ 2,023	$ (967)

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

	December 31, 2011	
	Carrying Amount	**Estimated Fair Value**
Financial assets:		
Cash	$ 3,238	$ 3,238
Loans, net of allowance	$ 2,157,819	$ 2,182,808
Accrued interest receivable	$ 12,593	$ 12,593
Assets held in trust funds	$ 808	$ 808
Financial liabilities:		
Notes payable to AgFirst Farm Credit Bank	$ 1,788,974	$ 1,805,109

NOTE 5 - ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	Employee Benefit Plans
Balance at December 31, 2010	$ (414)
Other comprehensive income	(8)
Balance at March 31, 2011	$ (422)
Balance at December 31, 2011	$ (520)
Other comprehensive income	(14)
Balance at March 31, 2012	$ (534)

	For the three months ended March 31,	
	2012	**2011**
Other Comprehensive Income and Reclassification Amounts:		
Amounts reclassified to net periodic pension costs	$ 19	$ 12
Net gain (loss) during period	(33)	(20)
Defined benefit post retirement plans, net	$ (14)	$ (8)

NOTE 6 – SUBSEQUENT EVENTS

On April 24, 2012, the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations, had assets exceeding the secure base amount as defined by the Farm Credit Act, and announced a premium refund. The Association estimates that its total distribution, which is nonrecurring, will be approximately $3.8 million and will be recorded in the second quarter of 2012.

The Association has evaluated subsequent events and has determined there are no others requiring disclosure through May 9, 2012, which is the date the financial statements were issued.