First South 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 First South 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.

Ray Makamson
Chairman of the Board

Roger F. Chappell
Chief Executive Officer

Bryan Applewhite
Chief Financial Officer

May 9, 2012

First South 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.

Roger F. Chappell
Chief Executive Officer

Bryan Applewhite
Chief Financial Officer

May 9, 2012

First South 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 *First South Farm Credit, ACA* (Association) for the period ended March 31, 2012. These comments 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 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 poultry, cotton, livestock and forestry. 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, somewhat reduces the level of dependency on any single commodity.

Comparison of March 31, 2012 to December 31, 2011

The gross loan volume of the Association as of March 31, 2012, was $1,244,096, a decrease of $503, as compared to $1,244,599 at December 31, 2011. Net loans outstanding at March 31, 2012, were $1,236,805 as compared to $1,237,714 at December 31, 2011. Net loans accounted for 91.79 percent of total assets at March 31, 2012, as compared to 90.41 percent of total assets at December 31, 2011. The slight decrease in loan volume remained basically unchanged due to improved crop conditions in 2011 which reduced the need for crop advances in early 2012.

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 loans decreased to $10,081 at March 31, 2012 from $10,651 at December 31, 2011, a decrease of $570.

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 at March 31, 2012, was $7,291 compared to $6,885 at December 31, 2011, and was considered by management to be adequate to cover possible losses.

Comparison of March 31, 2012 to March 31, 2011

As stated previously, as of March 31, 2012, gross loan volume of the Association was $1,244,096 and net loans outstanding were $1,236,805. This represents an increase of $54,159 in gross loan volume as compared to $1,189,937 at March 31, 2011, and represents an increase of $54,302 in net loans outstanding as compared to $1,182,503 at March 31, 2011. Net loans increased as a percentage of total assets slightly to the aforementioned 91.79 percent of total assets at March 31, 2012, from 90.95 percent of total assets at March 31, 2011. The increase in loan volume is primarily attributable to overall continued growth in the portfolio.

Nonaccrual loans decreased from $12,377 at March 31, 2011, to $10,081 at March 31, 2012, a decrease of $2,296. The allowance for loan losses at March 31, 2012, was $7,291 compared to $7,434 at March 31, 2011, a decrease of $143.

RESULTS OF OPERATIONS

For the three months ended March 31, 2012

Net income for the three months ended March 31, 2012, totaled $5,966, as compared to $6,380 for the same period in 2011. The decrease in net income relates to various factors including reduced patronage refunds, an increase in provision for loan losses and an increase in operating expenses over the same period. These changes were partially offset by an increase in net interest income of $569 for the three months ended March 31, 2012, as compared to the same period in 2011. The increase in net interest income is primarily the result of growth in the loan portfolio and improved net interest margins.

Noninterest income for the three months ended March 31, 2012 totaled $4,420, as compared to $4,867 for the same period of 2011, a decrease of $447. The decrease is primarily the result of decreased patronage refunds from other Farm Credit institutions of $258 and a loss in other property owned for a net change of $142. These decreases were partially offset by an increase in other non interest income of $51.

Noninterest expense for the three months ended March 31, 2012 increased $351 compared to the same period of 2011. The increase is primarily attributable to an increase in salaries and employee benefits of $446, an increase in occupancy and equipment of $28, partially offset by a decrease in Insurance Fund premiums of $19, and by a decrease other operating expenses of $104.

The Association recorded a provision for loan loss of $645 for the three months ended March 31, 2012, compared to a provision of $346 for the same period in 2011.

The Association recorded a benefit for income taxes of $28 for the three months ended March 31, 2012, compared to a provision of $86 for the same period of 2011.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the AgFirst Farm Credit Bank (Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2012 was $1,030,031 as compared to $1,054,518 at December 31, 2011, a decrease of $24,487, and was $1,003,608 at March 31, 2011, an increase of $26,423 as compared to March 31, 2012. The decrease in notes payable from December 31, 2011 to March 31, 2012 is related primarily to earnings and paydowns in the loan portfolio.

CAPITAL RESOURCES

Total members' equity at March 31, 2012, March 31, 2011 and December 31, 2011 was $258,561, $248,328 and $255,670, respectively. The increase of $10,233 from March 31, 2011 to March 31, 2012 is primarily attributable to the improved earnings of the Association reflected in allocated and unallocated retained earnings with a net increase of $18,831, offset by an increase in accumulated other comprehensive loss of $9,065 related to pension liability changes. The increase of $2,891 in total members' equity from December 31, 2011 to March 31, 2012 is primarily attributable to an increase in allocated and unallocated retained earnings with a net increase of $2,120. Total capital stock and participation certificates were $66,845, $66,378 and $66,685 at March 31, 2012, March 31, 2011 and December 31, 2011, respectively.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2012, the Association's total surplus ratio and core surplus ratio were 15.23 percent and 14.09 percent, respectively. The permanent capital ratio was 16.54 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

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.

STOCKHOLDER INVESTMENT

Stockholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst Farm Credit Bank's Quarterly and Annual Reports are on the AgFirst website, *www.agfirst.com*, or may be obtained at no charge by calling 1-800-845-1745, extension 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Copies of the Association's Annual and Quarterly reports are also on the Association's website, *www.firstsouthland.com*, or may be obtained upon request free of charge by calling 1-800-955-1722 or writing Bryan Applewhite, First South Farm Credit, ACA, 574 Highland Colony Parkway, Suite 100, Ridgeland, MS 39157. 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.

First South Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2012 (unaudited)	March 31, 2011 (unaudited)	December 31, 2011 (audited)
Assets			
Cash	$ 1,653	$ 3,333	$ 5,630
Loans	1,244,096	1,189,937	1,244,599
Less: allowance for loan losses	7,291	7,434	6,885
Net loans	1,236,805	1,182,503	1,237,714
Accrued interest receivable	11,479	10,173	12,789
Investments in other Farm Credit institutions	83,073	86,736	83,963
Premises and equipment, net	7,806	6,841	7,809
Other property owned	1,124	4,888	1,058
Due from AgFirst Farm Credit Bank	3,731	4,005	18,191
Other assets	1,828	1,760	1,872
Total assets	$ 1,347,499	$ 1,300,239	$ 1,369,026
Liabilities			
Notes payable to AgFirst Farm Credit Bank	$ 1,030,031	$ 1,003,608	$ 1,054,518
Accrued interest payable	2,267	2,391	2,386
Patronage refunds payable	15	62	9,139
Allocated surplus payable	3,994	4,787	—
Other liabilities	52,631	41,063	47,313
Total liabilities	1,088,938	1,051,911	1,113,356
Commitments and contingencies			
Members' Equity			
Protected borrower stock	85	90	85
Capital stock and participation certificates	66,760	66,288	66,600
Retained earnings			
Allocated	120,576	104,836	124,862
Unallocated	100,705	97,614	94,299
Accumulated other comprehensive income (loss)	(29,565)	(20,500)	(30,176)
Total members' equity	258,561	248,328	255,670
Total liabilities and members' equity	$ 1,347,499	$ 1,300,239	$ 1,369,026

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

First South Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2012	2011
Interest Income		
Loans	$ 16,216	$ 15,826
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	6,699	6,878
Net interest income	9,517	8,948
Provision for loan losses	645	346
Net interest income after provision for loan losses	8,872	8,602
Noninterest Income		
Loan fees	767	874
Fees for financially related services	9	—
Patronage refunds from other Farm Credit institutions	3,652	3,910
Gains (losses) on other property owned, net	(141)	1
Other noninterest income	133	82
Total noninterest income	4,420	4,867
Noninterest Expense		
Salaries and employee benefits	5,324	4,878
Occupancy and equipment	369	341
Insurance Fund premiums	118	137
Other operating expenses	1,543	1,647
Total noninterest expense	7,354	7,003
Income before income taxes	5,938	6,466
Provision (benefit) for income taxes	(28)	86
Net income	$ 5,966	$ 6,380

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

First South Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2012	2011
Net income	$ 5,966	$ 6,380
Other comprehensive income net of tax		
Employee benefit plans adjustments	611	368
Comprehensive income	$ 6,577	$ 6,748

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

First South Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2010	$ 89	$ 66,076	$ 110,558	$ 90,530	$ (20,868)	$ 246,385
Comprehensive income				6,380	368	6,748
Protected borrower stock retired	1					1
Capital stock/participation certificates issued/(retired), net		212				212
Retained earnings retired			(4,778)			(4,778)
Patronage distribution adjustment			(944)	704		(240)
Balance at March 31, 2011	$ 90	$ 66,288	$ 104,836	$ 97,614	$ (20,500)	$ 248,328
Balance at December 31, 2011	$ 85	$ 66,600	$ 124,862	$ 94,299	$ (30,176)	$ 255,670
Comprehensive income				5,966	611	6,577
Capital stock/participation certificates issued/(retired), net		160				160
Retained earnings retired			(4,013)			(4,013)
Patronage distribution adjustment			(273)	440		167
Balance at March 31, 2012	$ 85	$ 66,760	$ 120,576	$ 100,705	$ (29,565)	$ 258,561

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 First South 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 2011 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 generally accepted accounting principles (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 loan 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 follows:

	March 31, 2012	December 31, 2011
Real estate mortgage	$ 342,290	$ 335,784
Production and intermediate-term	812,359	835,734
Agribusiness		
Loans to cooperatives	7,118	7,867
Processing and marketing	56,246	39,289
Farm-related business	13,513	13,403
Total agribusiness	76,877	60,559
Communication	10,852	10,772
Rural residential real estate	1,718	1,750
Total Loans	$ 1,244,096	$ 1,244,599

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	$ 3,665	$ 52,696	$ –	$ –	$ 67,327	$ –	$ 70,992	$ 52,696
Production and intermediate-term	5,302	185,464	21,190	–	24,748	–	51,240	185,464
Agribusiness								
Loans to cooperatives	–	1,130	2,226	–	4,728	–	6,954	1,130
Processing and marketing	17,064	14,674	2,382	–	16,711	–	36,157	14,674
Farm-related business	–	7,100	–	6,439	437	879	437	14,418
Total agribusiness	17,064	22,904	4,608	6,439	21,876	879	43,548	30,222
Communication	10,862	–	–	–	–	–	10,862	–
Rural residential real estate	–	–	–	–	53	–	53	–
Total	$ 36,893	$ 261,064	$ 25,798	$ 6,439	$ 114,004	879	$ 176,695	$ 268,382

	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	$ 3,780	$ 58,613	$ –	$ –	$ 69,875	$ –	$ 73,655	$ 58,613
Production and intermediate-term	25,448	191,924	7,101	–	25,438	–	57,987	191,924
Agribusiness								
Loans to cooperatives	783	1,132	3,070	–	4,049	–	7,902	1,132
Processing and marketing	15,068	4,499	2,595	–	15,528	–	33,191	4,499
Farm-related business	–	6,652	–	5,990	438	900	438	13,542
Total agribusiness	15,851	12,283	5,665	5,990	20,015	900	41,531	19,173
Communication	10,778	–	–	–	–	–	10,778	–
Rural residential real estate	–	–	–	–	53	–	53	–
Total	$ 55,857	$ 262,820	$ 12,766	$ 5,990	$ 115,381	900	$ 184,004	$ 269,710

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 18.82 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	$ 16,746	$ 148,651	$ 176,893	$ 342,290
Production and intermediate-term	142,478	354,583	315,298	812,359
Agribusiness				
Loans to cooperatives	2,346	2,763	2,009	7,118
Processing and marketing	52,138	2,610	1,498	56,246
Farm-related business	9,639	2,774	1,100	13,513
Total agribusiness	64,123	8,147	4,607	76,877
Communication	10,844	8	–	10,852
Rural residential real estate	–	959	759	1,718
Total Loans	$ 234,191	$ 512,348	$ 497,557	$ 1,244,096

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	88.63%	88.46%
OAEM	3.98	2.87
Substandard/doubtful/loss	7.39	8.67
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	92.95%	92.20%
OAEM	4.01	4.69
Substandard/doubtful/loss	3.04	3.11
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	90.02%	88.26%
OAEM	9.98	11.74
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	88.61%	100.00%
OAEM	11.39	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	85.64%	100.00%
OAEM	7.87	–
Substandard/doubtful/loss	6.49	–
	100.00%	100.00%

	March 31, 2012	December 31, 2011
Total agribusiness:		
Acceptable	88.21%	98.54%
OAEM	10.64	1.46
Substandard/doubtful/loss	1.15	–
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	84.11%	84.24%
OAEM	5.90	5.77
Substandard/doubtful/loss	9.99	9.99
	100.00%	100.00%
Total Loans:		
Acceptable	91.52%	91.56%
OAEM	4.37	4.00
Substandard/doubtful/loss	4.11	4.44
	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	$ 3,316	$ 6,161	$ 9,477	$ 335,738	$ 345,215	$ –
Production and intermediate-term	6,872	3,030	9,902	810,592	820,494	46
Agribusiness						
Loans to cooperatives	–	–	–	7,205	7,205	–
Processing and marketing	–	–	–	56,403	56,403	–
Farm-related business	–	–	–	13,666	13,666	–
Total agribusiness	–	–	–	77,274	77,274	–
Communication	–	–	–	10,858	10,858	–
Energy						
Rural residential real estate	–	–	–	1,734	1,734	–
Total	$ 10,188	$ 9,191	$ 19,379	$ 1,236,196	$ 1,255,575	$ 46

	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	$ 3,508	$ 6,245	$ 9,753	$ 329,118	$ 338,871	$ –
Production and intermediate-term	18,721	3,908	22,629	822,527	845,156	–
Agribusiness						
Loans to cooperatives	–	–	–	7,923	7,923	–
Processing and marketing	–	–	–	39,374	39,374	–
Farm-related business	–	–	–	13,528	13,528	–
Total agribusiness	–	–	–	60,825	60,825	–
Communication	–	–	–	10,777	10,777	–
Rural residential real estate	176	–	176	1,583	1,759	–
Total	$ 22,405	$ 10,153	$ 32,558	$ 1,224,830	$ 1,257,388	$ –

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	$ 6,246	$ 6,341
Production and intermediate-term	3,835	4,310
Agribusiness		
Loans to cooperatives	–	–
Total agribusiness	–	–
Total nonaccrual loans	$ 10,081	$ 10,651
Accruing restructured loans:		
Real estate mortgage	$ 744	$ 1,121
Production and intermediate-term	539	1,029
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	–	–
Total agribusiness	–	–
Total accruing restructured loans	$ 1,283	$ 2,150
Accruing loans 90 days or more past due:		
Real estate mortgage	$ –	$ –
Production and intermediate-term	46	–
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	–	–
Total agribusiness	–	–
Total accruing loans 90 days or more past due	$ 46	$ –
Total nonperforming loans	$ 11,410	$ 12,801
Other property owned	1,124	1,058
Total nonperforming assets	$ 12,534	$ 13,859
Nonaccrual loans as a percentage of total loans	0.81%	0.86%
Nonperforming assets as a percentage of total loans and other property owned	1.01%	1.11%
Nonperforming assets as a percentage of capital	4.85%	5.42%

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	$ 521	$ 431
Past due	9,560	10,220
Total impaired nonaccrual loans	10,081	10,651
Impaired accrual loans:		
Restructured	1,283	2,150
90 days or more past due	46	–
Total impaired accrual loans	1,329	2,150
Total impaired loans	$ 11,410	$ 12,801

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

	March 31, 2012			Quarter 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	$ 4,935	$ 5,393	$ 2,381	$ 4,635	$ 5
Production and intermediate-term	1,947	2,173	557	1,829	2
Total	$ 6,882	$ 7,566	$ 2,938	$ 6,464	$ 7
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 2,055	$ 3,065	$ –	$ 1,930	$ 1
Production and intermediate-term	2,473	5,442	–	2,323	2
Agribusiness					
Farm-related business	–	10	–	–	–
Total agribusiness	–	10	–	–	–
Rural residential real estate	–	67	–	–	–
Total	$ 4,528	$ 8,584	$ –	$ 4,253	$ 3
Total Impaired Loans					
Real estate mortgage	$ 6,990	$ 8,458	$ 2,381	$ 6,565	$ 6
Production and intermediate-term	4,420	7,615	557	4,152	4
Agribusiness					
Farm-related business	–	10	–	–	–
Total agribusiness	–	10	–	–	–
Rural residential real estate	–	67	–	–	–
Total	$ 11,410	$ 16,150	$ 2,938	$ 10,717	$ 10

	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	$ 5,026	$ 5,416	$ 2,382	$ 4,943	$ 98
Production and intermediate-term	2,292	2,539	687	2,253	44
Total	$ 7,318	$ 7,955	$ 3,069	$ 7,196	$ 142
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 2,436	$ 2,428	$ –	$ 2,394	$ 47
Production and intermediate-term	3,047	4,935	–	2,997	59
Agribusiness					
Farm-related business	–	10	–	–	–
Total agribusiness	–	10	–	–	–
Rural residential real estate	–	67	–	–	–
Total	$ 5,483	$ 7,440	$ –	$ 5,391	$ 106
Total Impaired Loans					
Real estate mortgage	$ 7,462	$ 7,844	$ 2,382	$ 7,337	$ 145
Production and intermediate-term	5,339	7,474	687	5,250	103
Agribusiness					
Farm-related business	–	10	–	–	–
Total agribusiness	–	10	–	–	–
Rural residential real estate	–	67	–	–	–
Total	$ 12,801	$ 15,395	$ 3,069	$ 12,587	$ 248

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	Rural Residential Real Estate	Total
Allowance for credit losses:						
Balance at December 31, 2011	$ 3,803	$ 2,969	$ 90	$ 14	$ 9	$ 6,885
Charge-offs	(11)	(406)	–	–	–	(417)
Recoveries	2	176	–	–	–	178
Provision for loan losses	178	317	146	3	1	645
Balance at March 31, 2012	$ 3,972	$ 3,056	$ 236	$ 17	$ 10	$ 7,291
March 31, 2012 allowance ending balance:						
Loans individually evaluated for impairment	$ 2,381	$ 557	$ –	$ –	$ –	$ 2,938
Loans collectively evaluated for impairment	$ 1,591	$ 2,499	$ 236	$ 17	$ 10	$ 4,353
Recorded investment in loans outstanding:						
Ending Balance at March 31, 2012	$ 345,215	$ 820,494	$ 77,274	$ 10,858	$ 1,734	$ 1,255,575
March 31, 2012 recorded investment ending balance:						
Loans individually evaluated for impairment	$ 6,243	$ 3,834	$ –	$ –	$ –	$ 10,077
Loans collectively evaluated for impairment	$ 338,972	$ 816,660	$ 77,274	$ 10,858	$ 1,734	$ 1,245,498

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	$ 3,501	$ 3,425	$ 232	$ 23	$ 6	$ 9	$ 7,196
Charge-offs	(560)	(596)	(272)	–	–	–	(1,428)
Recoveries	2,293	77	217	–	–	–	2,587
Provision for loan losses	(1,431)	63	(87)	(9)	(6)	–	(1,470)
Balance at December 31, 2011	$ 3,803	$ 2,969	$ 90	$ 14	$ –	$ 9	$ 6,885
December 31, 2011 allowance ending balance:							
Loans individually evaluated for impairment	$ 2,382	$ 687	$ –	$ –	$ –	$ –	$ 3,069
Loans collectively evaluated for impairment	$ 1,421	$ 2,282	$ 90	$ 14	$ –	$ 9	$ 3,816
Recorded investment in loans outstanding:							
Ending Balance at December 31, 2011	$ 338,871	$ 845,156	$ 60,825	$ 10,777	$ –	$ 1,759	$ 1,257,388
December 31, 2011 recorded investment ending balance:							
Loans individually evaluated for impairment	$ 6,341	$ 4,202	$ –	$ –	$ –	$ –	$ 10,543
Loans collectively evaluated for impairment	$ 332,530	$ 840,954	$ 60,825	$ 10,777	$ –	$ 1,759	$ 1,246,845

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. There was no activity that occurred during the periods presented, related to TDRs.

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.

There were no 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.

TDRs outstanding at period end totaled $1,363, of which $80 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	$ 1,077	$ 746
401(k)	91	84
Other postretirement benefits	222	263
Total	$ 1,390	$ 1,093

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	$ –	$ 2,417	$ 2,417
Other postretirement benefits	125	365	490
Total	$ 125	$ 2,782	$ 2,907

Contributions in the above table include allocated estimates of funding for a multi-employer plan 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 9.30 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 $50 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 has no Level 1 assets or liabilities measured at fair value on a recurring basis at March 31, 2012. 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	$ 403
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	–
Settlements	(37)
Transfers in and/or out of level 3	–
Balance at March 31, 2012	$ 366

	Standby Letters Of Credit
Balance at January 1, 2011	$ 488
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	–
Settlements	(83)
Transfers in and/or out of level 3	–
Balance at March 31, 2011	$ 405

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
<u>Recurring Measurements</u>						
Assets:						
Recurring Assets	$ –	$ –	$ –	$ –	$ –	$ –
Liabilities:						
Standby letters of credit	$ 366	$ –	$ –	$ 366	$ 366	$ –
Recurring Liabilities	$ 366	$ –	$ –	$ 366	$ 366	$ –
<u>Nonrecurring Measurements</u>						
Assets:						
Impaired loans	$ 11,410	$ –	$ –	$ 8,473	$ 8,473	$ (108)
Other property owned	1,124	–	–	1,294	1,294	(133)
Nonrecurring Assets	$ 12,534	$ –	$ –	$ 9,767	$ 9,767	$ (241)
<u>Other Financial Instruments</u>						
Assets:						
Cash	$ 1,653	$ 1,653	$ –	$ –	$ 1,653	
Loans	1,228,332	–	–	1,233,611	1,233,611	
Accrued interest receivable	11,479	–	11,479	–	11,479	
Other Assets	$ 1,241,464	$ 1,653	$ 11,479	$ 1,233,611	$ 1,246,743	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,030,031	$ –	$ –	$ 1,035,929	$ 1,035,929	
Accrued interest payable	2,267	–	2,267	–	2,267	
Other Liabilities	$ 1,032,298	$ –	$ 2,267	$ 1,035,929	$ 1,038,196	

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
Liabilities:				
Standby letters of credit	$ –	$ –	$ 403	$ 403
Total Liabilities	$ –	$ –	$ 403	$ 403

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	$ –	$ –	$ 4,170	$ 4,170	$ 1,267
Other property owned	$ –	$ –	$ 1,003	$ 1,003	$ (397)

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	$ 5,630	$ 5,630
Loans, net of allowance	$ 1,237,714	$ 1,255,966
Accrued interest receivable	$ 12,789	$ 12,789
Financial liabilities:		
Notes payable to AgFirst Farm Credit Bank	$ 1,056,904	$ 1,072,472

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	$	(20,868)
Other comprehensive income		368
Balance at March 31, 2011	$	(20,500)
Balance at December 31, 2011	$	(30,176)
Other comprehensive income		611
Balance at March 31, 2012	$	(29,565)

	For the three months ended March 31,			
	2012		2011	
Other Comprehensive Income and Reclassification Amounts:				
Amounts reclassified to net periodic pension costs	$	611	$	368
Defined benefit post retirement plans, net	$	611	$	368

NOTE 6 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined that, except as described below, there are none requiring disclosure through May 9, 2012, which is the date the financial statements were issued.

In April 2012, the Association accrued $1.2 million due to an insurance premium refund from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. This payment is nonrecurring and resulted from the assets of the Farm Credit Insurance Fund exceeding the secure base amount as defined by the Farm Credit Act. In addition, the Association accrued in April a $244 thousand patronage distribution from AgFirst for insurance premium refunds on certain loan pools sold to the Bank.