

SECOND QUARTER 2011

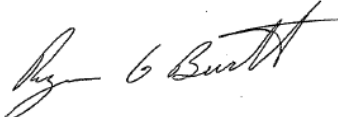
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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2011 quarterly report of Southwest Georgia 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.


Richard S. Monson
President/CEO


Ryan G. Burt
Chief Financial Officer


Bobby J. Brooks
Chairman of the Board

August 8, 2011

Southwest Georgia Farm Credit, ACA

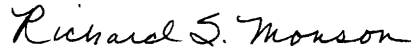
Report on Internal Control Over Financial Reporting

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.

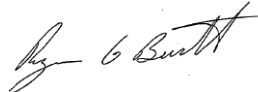
Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions 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 June 30, 2011. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of June 30, 2011, 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 June 30, 2011.



Richard S. Monson
Chief Executive Officer



Ryan G. Burt
Chief Financial Officer

August 8, 2011

Southwest Georgia 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 Southwest Georgia Farm Credit, ACA (Association) for the period ended June 30, 2011. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2010 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 in our region, including timber, landlords, poultry, cotton, livestock, peanuts, fruit and nut, vegetables, and dairy. Farm size varies and many of the borrowers in the region have diversified farming operations. These factors, along with the opportunities for non-farm income in the area, reduce the level of dependency on any given commodity.

ASSOCIATION BALANCE SHEET

The gross loan volume of the Association as of June 30, 2011, was \$303,477, an increase of \$8,560 as compared to \$294,917 at December 31, 2010. Net loans outstanding at June 30, 2011, were \$300,264 as compared to \$289,159 at December 31, 2010. Net loans and investments accounted for 91.55 percent of total assets at June 30, 2011, as compared to 90.10 percent of total assets at December 31, 2010.

Total assets at June 30, 2011 were \$376,946 compared to \$384,251 at December 31, 2010, a decrease of \$7,305 or 1.90 percent. The decrease in total assets was primarily attributed to reductions in earnings due from AgFirst Farm Credit Bank. The SIIC reduction is attributed to the large \$13 million dollar annual payment received in January, 2011.

The Association entered into commitments to acquire Successor-in-interest Contracts (SIIC) in the fourth quarter of 2005. As of June 30, 2011, the Association had \$36,495 in other investments for SIIC, a decrease of \$12,176 compared to \$48,671 at December 31, 2010.

Investment securities classed as held to maturity as of June 30, 2011 were \$8,327, a decrease of \$56 as compared to \$8,383 at December 31, 2010.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has experienced deterioration over the last couple years given current economic conditions. The Association saw some improvement in late 2010 with a slight drop in early 2011. The most recent month has shown improvement with loans classified under the Farm Credit Administration's Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" at 94.60 percent of total loans and accrued interest as compared to 92.37 percent at December 31, 2010.

Nonaccrual loans as of June 30, 2011 were \$13,010, a decrease of \$6,182 as compared to \$19,192 at December 31, 2010. The decrease is primarily the result of several charge-offs and foreclosures during the quarter. Association staff is working diligently to work through all of the nonaccrual debt situations.

As of June 30, 2011, the association has seven properties classed as Other Property Owned totaling \$7,246. The properties consist of real estate in Georgia, South Carolina, Tennessee and Florida. The Association is actively marketing the properties for sale. During the quarter \$1,030 of foreclosures were taken as Other Property Owned while \$622 of sales were reported and \$2,254 of valuation write downs were recognized.

The Association maintains an allowance for loan losses at a level considered sufficient to absorb possible losses within the loan portfolio based on current and expected future conditions. The Association increases the allowance by providing a provision for loan losses in the income statement. Loan losses are recorded against and serve to decrease the allowance when management determines that any portion of a loan is uncollectible. Any subsequent recoveries are added to the allowance. The Risk Management Committee (RIMCO), which is comprised of members of the Board of Directors, senior management, and senior lending staff, meets quarterly to evaluate the adequacy of the allowance account. The evaluation considers factors which include, among many other things, loan loss experience, portfolio quality, loan portfolio composition, current agricultural production conditions, and general economic conditions.

After review, RIMCO determined the allowance account contained a shortage of \$528. A provision was provided for

this amount during the quarter. The allowance for loan losses at June 30, 2011, was \$3,213 compared to \$5,758 as of December 31, 2010 a decrease of \$2,545. The association has realized \$180 in recoveries, \$3,387 in charge-offs and \$662 in provisions this year netted against the allowance.

RESULTS OF OPERATIONS

For the three months ended June 30, 2011

At June 30, 2011, total interest income was \$4,540 a decrease of \$262 as compared to \$4,802 for the same period in 2010. Of the \$4,540 in total interest income \$133 was from investment securities, \$3,945 was from loans, and \$462 was from other investments. The decrease in total interest income is primarily related to the reduction in average loan and investment assets, and a lower interest rate environment.

Interest expense was \$2,249 a decrease of \$623, as compared to \$2,872 for the same period in 2010.

Non-interest loss for the three months ended June 30, 2011, totaled (\$767), a decrease of \$364 as compared to (\$403) in loss for the same period in 2010. The loss includes (\$2,134) of net loss recognized from sales on other property owned.

Non-interest expense for the three months ended June 30, 2011 totaled \$2,019, a decrease of \$52 as compared to \$2,071 for the same period in 2010. The increase is primarily due to a reduction of \$102 in Other Operating expenses offset with increases in Occupancy and Equipment of \$18 and Insurance Fund Premium of \$30.

Net loss for the three months ended June 30, 2011, totaled (\$1,023), a decrease of \$2,179 as compared to net income of \$1,156 for the same period in 2010

For the six months ended June 30, 2011

At June 30, 2011, total interest income was \$8,786 a decrease of \$1,357 as compared to \$10,143 for the same period in 2010. Of the \$8,786 in total interest income \$267 was from investment securities, \$7,579 was from loans, and \$940 was from other investments. The decrease in total interest income is primarily related to the reduction in average loan and investment assets, and a lower interest rate environment.

Interest expense was \$4,475 a decrease of \$1,507, as compared to \$5,982 for the same period in 2010.

Non-interest income for the six months ended June 30, 2011, totaled \$584, a decrease of \$744 as compared to \$1,328 for the same period in 2010. The decrease is primarily attributed to decreases in equity earnings from AgFirst Farm Credit Bank.

Non-interest expense for the six months ended June 30, 2011 totaled \$4,302, an increase of \$269 as compared to

\$4,033 for the same period in 2010. The increase is primarily due to increases of \$264 in Salary and Benefits.

Net loss for the six months ended June 30, 2011, totaled (\$69), a decrease of \$3,225 as compared to \$3,156 in income for the same period in 2010.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (Note 5). 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 funds are advanced by the Bank to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at June 30, 2011, was \$304,130, a decrease of \$6,532 as compared to \$310,662 at December 31, 2010. The decrease is primarily the result of the liquidation of loans and investments. Please see footnote number 5 for additional information on the status of the General Financing Covenant.

CAPITAL RESOURCES

Total members' equity at June 30, 2011, increased \$105 to \$65,916 from the December 31, 2010, total of \$65,811. Total capital stock and participation certificates were \$1,132 as of June 30, 2011, a decrease of \$18 compared to \$1,150 at December 31, 2010.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of June 30, 2011, the Association's capital and surplus ratios were: permanent capital 20.85 percent, total surplus 20.47 percent and core surplus 17.28 percent. All three ratios were above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus and 3.50 percent for the core surplus.

REGULATORY MATTERS

On July 8, 2010, the Farm Credit Administration issued an advance notice of proposed rulemaking (ANPRM) to gather public comments on the promulgation of Tier 1 and Tier 2 capital standards for Farm Credit System institutions. The Tier 1/Tier 2 capital standards would be similar to the capital tiers delineated in the Basel Accord that other Federal

financial regulatory agencies have adopted for the banking organizations they regulate. The Farm Credit Administration sought comments to facilitate the development of this regulatory capital framework, this includes new minimum risk-based and leverage ratio capital requirements that take into consideration both the System's cooperative structure of primarily wholesale banks owned by retail lender Associations that are, in turn, owned by their member borrowers, and the System's status as a GSE. The comment period for the ANPRM originally ended November 5, 2010 but it was extended through May 4, 2011.

Financial Regulatory Reform

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law on July 21, 2010. While the Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial services industry, many of the rules and regulations are not applicable to the System. It requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

The Dodd-Frank Act creates new regulators and expands the authority of the Federal Reserve Board over non-bank financial companies previously not subject to its or other bank regulators' direct jurisdiction, particularly those that are important to the U.S. financial system. Nevertheless, the Dodd-Frank Act largely preserves the authority of the Farm Credit Administration as the System's independent federal regulator by excluding System institutions from being considered a non-bank financial company and providing other exemptions and exclusions from certain of the law's provisions. Also, the rules prohibiting banking entities from engaging in proprietary trading under the Volcker Rule will not apply to the debt securities issued by the System.

The provisions of the Dodd-Frank Act pertaining to the regulation of derivatives transactions will require more of these transactions to be cleared through a third-party central clearinghouse and traded on regulated exchanges and margin or cash collateral will be required for these transactions. Also, derivative transactions that will not be subject to mandatory trading and clearing requirements may also be subject to minimum margin and capital requirements. The Dodd-Frank Act requires the Commodity Futures Trading Commission (CFTC) to consider whether to exempt System institutions from these new requirements. These requirements, whether or not System institutions are directly exempt from them, have the potential of making derivative transactions more costly and less attractive as risk management tools for System institutions. This may impact the System's funding strategies.

The Dodd-Frank Act will also require certain financial institutions to register as swap dealers or major swap participants, as applicable, with the CFTC and/or the Securities and Exchange Commission. Based on the proposed rules, it is possible that certain System institutions could be required to register with the CFTC as swap dealers based on swaps entered into between System institutions or between System institutions and their borrowers, which would subject these System institutions to considerable additional regulation and cost. In addition, the counterparties with which System institutions enter into derivative transactions for hedging and risk mitigation purposes will most likely be designated as swap dealers and, as a result, be subject to additional regulatory requirements.

As required by the Dodd-Frank Act, the U.S. Treasury and the U.S. Department of Housing and Urban Development issued in February 2011 their report to Congress entitled "Reforming America's Housing Finance Market". This report sets forth recommendations related to the future of the housing GSEs, including Fannie Mae and Freddie Mac. While this report did not specifically include or relate to the Farm Credit System, a potential risk exists that the System, as a GSE, may directly or indirectly be impacted by the decisions made as Congress addresses Fannie Mae, Freddie Mac and federal home loan finance.

In light of the foregoing, it is difficult to predict at this time the extent of the impact which the Dodd-Frank Act or the forthcoming implementing rules and regulations will have on the System. However, it is possible they could affect funding strategies and increase funding costs.

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's annual and quarterly reports are also available upon request free of charge by calling 1-229-246-0384 or 1-866-304-3276, writing Belinda H. Robertson, Treasurer, Southwest Georgia Farm Credit, ACA, 305 Colquitt Highway, Bainbridge, Georgia 39817 or accessing the website, www.swgafarmcredit.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.

Southwest Georgia Farm Credit ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	June 30, 2011 <i>(unaudited)</i>	December 31, 2010 <i>(audited)</i>
Assets		
Cash	\$ 421	\$ 910
Investment securities:		
Held to maturity (fair value of \$8,453 and \$8,229 respectively)	8,327	8,383
Loans	303,477	294,917
Less: allowance for loan losses	3,213	5,758
Net loans	300,264	289,159
Other investments	36,495	48,671
Accrued interest receivable	3,561	4,143
Investments in other Farm Credit institutions	10,873	11,047
Premises and equipment, net	4,261	4,448
Other property owned	7,246	8,614
Due from AgFirst Farm Credit Bank	1,843	5,110
Other assets	3,655	3,766
Total assets	<u>\$ 376,946</u>	<u>\$ 384,251</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 304,130	\$ 310,662
Accrued interest payable	748	840
Patronage refund payable	9	1,625
Other liabilities	6,143	5,313
Total liabilities	<u>311,030</u>	<u>318,440</u>
Commitments and contingencies		
Members' Equity		
Protected borrower stock	138	152
Capital stock and participation certificates	994	998
Retained earnings		
Allocated	25,025	25,426
Unallocated	39,759	39,235
Total members' equity	<u>65,916</u>	<u>65,811</u>
Total liabilities and members' equity	<u>\$ 376,946</u>	<u>\$ 384,251</u>

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

Southwest Georgia Farm Credit ACA

Consolidated Statements of Operations

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
Interest Income				
Investment securities	\$ 133	\$ 207	\$ 267	\$ 439
Loans	3,945	3,981	7,579	8,460
Other investments	462	614	940	1,244
Total interest income	4,540	4,802	8,786	10,143
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	2,249	2,872	4,475	5,982
Net interest income	2,291	1,930	4,311	4,161
Provision for (reversal of allowance for) loan losses	528	(1,700)	662	(1,700)
Net interest income after provision for (reversal of allowance for) loan losses	1,763	3,630	3,649	5,861
Noninterest Income				
Loan fees	221	197	401	535
Equity in earnings of other Farm Credit institutions	1,155	1,265	2,097	2,492
Gains (losses) on other property owned, net	(2,134)	(1,799)	(1,935)	(2,037)
Gains (losses) on sales of premises and equipment, net	(17)	8	(17)	4
Gains (losses) on sales of investment securities	-	(76)	-	(76)
Insurance Fund refunds	-	-	-	381
Other noninterest income	8	2	38	29
Total noninterest income (expense)	(767)	(403)	584	1,328
Noninterest Expense				
Salaries and employee benefits	1,310	1,308	2,817	2,553
Occupancy and equipment	162	144	341	301
Insurance Fund premium	37	7	73	75
Other operating expenses	510	612	1,071	1,104
Total noninterest expense	2,019	2,071	4,302	4,033
Net income (loss)	\$ (1,023)	\$ 1,156	\$ (69)	\$ 3,156

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

Southwest Georgia Farm Credit ACA
**Consolidated Statements of Changes in
Members' Equity**

(unaudited)

(dollars in thousands)

	Protected Borrower Capital	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2009	\$ 255	\$ 1,245	\$ 23,894	\$ 38,162	\$ (120)	\$ 63,436
Comprehensive income						
Net income				3,156		3,156
Employee benefit plans adjustments					120	120
Total comprehensive income						3,276
Protected borrower equity retired	(103)					(103)
Capital stock/participation certificates issued/(retired), net		18				18
Retained earnings retired			(192)			(192)
Patronage distribution adjustment				58		58
Balance at June 30, 2010	\$ 152	\$ 1,263	\$ 23,702	\$ 41,376	\$ —	\$ 66,493
Balance at December 31, 2010	\$ 152	\$ 998	\$ 25,426	\$ 39,235	\$ —	\$ 65,811
Net income (loss)				(69)		(69)
Protected borrower equity retired	(14)					(14)
Capital stock/participation certificates issued/(retired), net		(4)				(4)
Patronage distribution adjustment			(401)	593		192
Balance at June 30, 2011	\$ 138	\$ 994	\$ 25,025	\$ 39,759	\$ —	\$ 65,916

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

Southwest Georgia Farm Credit, ACA

Notes to the Consolidated Financial Statements

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

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

The accompanying financial statements include the accounts of Southwest Georgia 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, 2010, are contained in the 2010 Annual Report to Shareholders. These unaudited second quarter 2011 consolidated financial statements should be read in conjunction with the 2010 Annual Report to Shareholders.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP) and prevailing practices within the banking industry. The results for the six months ended June 30, 2011, are not necessarily indicative of the results to be expected for the year ending December 31, 2011.

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

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of June 30, 2011, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In January 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings." This guidance temporarily delayed the effective date of the disclosures about troubled debt restructurings 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 troubled debt restructurings (TDR) coincides with the guidance for determining what constitutes a TDR as described below.

In April 2011, the FASB issued guidance entitled, "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. For public entities, the guidance is effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. For purposes of measuring impairment of those receivables, an entity should apply the guidance prospectively for the first interim or annual period beginning on or after June 15, 2011. In addition, the delayed TDR disclosures referenced above are also effective for the first interim or annual period beginning on or after June 15, 2011. The impact of adoption of this guidance, if any, is expected to be immaterial to the Association's financial condition and results of operations, but it will result in additional disclosures.

In July 2010, the FASB issued guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This guidance provides additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. Existing disclosures were amended to include additional disclosures of financing receivables on both a portfolio segment and class of financing receivable basis. This includes a rollforward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disclosed on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables, nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period were effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period were effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this guidance had no impact on the Association's financial condition and results of operations but resulted in significant additional disclosures (see Note 3).

Effective January 1, 2010, the Association adopted FASB guidance "Fair Value Measurements and Disclosures," which is intended to improve disclosures about fair value measurement by increasing transparency in financial reporting. The changes provide a greater level of disaggregated information and more detailed disclosures of valuation techniques and inputs to fair value measurement. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures were effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this guidance had no impact on the Association's financial condition and results of operations but resulted in additional disclosures (see Note 6).

Other recently issued accounting pronouncements are discussed in the 2010 Annual Report to Shareholders.

NOTE 2 — INVESTMENT SECURITIES

A summary of the amortized cost and fair value of investment securities held-to-maturity at June 30, 2011 and December 31, 2010 follows:

	June 30, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission related investments	\$ 8,327	\$ 295	\$ (169)	\$ 8,453	6.40%

	December 31, 2010				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission related investments	\$ 8,383	\$ 91	\$ (245)	\$ 8,229	6.40%

A summary of expected maturity, amortized cost, and estimated fair value of investment securities held-to-maturity at June 30, 2011 follows:

	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	\$ -	\$ -	-%
After one year through five years	-	-	-
After five years through ten years	-	-	-
After ten years	8,327	8,453	6.40
Total	\$ 8,327	\$ 8,453	6.40%

The Association's held-to-maturity mission related investments consist of private placement securities purchased under the Rural America Bond Program approved by the FCA.

An investment is considered impaired if its fair value is less than its cost. A continuous unrealized loss position for an investment is based on the date the impairment was first identified. The following table shows the fair value and gross unrealized losses for investments that have been in a continuous unrealized loss position aggregated by investment category at June 30, 2011 and December 31, 2010:

	June 30, 2011			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission Related Investments	\$ 3,707	\$ (169)	\$ -	\$ -

	December 31, 2010			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission Related Investments	\$ 5,898	\$ (245)	\$ -	\$ -

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify any future possible loss of principal or interest due on each security identified for additional analysis. Factors considered in determining whether an impairment is other-than-temporary include among others as applicable: 1) the length of time and the extent to which the fair value is less than cost, 2) adverse conditions specifically related to the industry, 3) geographic area and the condition of the underlying collateral, 4) payment structure of the security, 5) ratings by rating agencies, 6) the credit worthiness of bond insurers, and 7) volatility of the fair value changes.

Based on the results of all analyses, the Association has not recognized any other-than-temporary impairment as the unrealized losses resulted primarily from non-credit related factors. Full payment of principal and interest is expected. The Association has the ability and intent to hold these investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements. The Association does not intend to sell these investments and it is not likely that the Association would be required to sell these investments before recovering its costs.

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans outstanding as of June 30, 2011 and December 31, 2010, follows:

	June 30, 2011	December 31, 2010
Real estate mortgage	\$ 178,416	\$ 180,051
Production and intermediate-term	87,304	68,562
Agribusiness		
Loans to cooperatives	-	-
Processing and marketing	23,088	33,650
Farm-related business	10,994	8,551
Total agribusiness	34,082	42,201
Energy	-	-
Rural residential real estate	3,675	4,103
Total Loans	\$ 303,477	\$ 294,917

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. The following tables present participations purchased and sold balances at June 30, 2011 and December 31, 2010:

	June 30, 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	\$ 23,053	\$ 51,124	-	-	\$ 2,728	-	\$ 25,781	\$ 51,124
Production and intermediate-term	17,552	27,713	-	1,112	2,151	-	19,703	28,825
Agribusiness								
Processing and marketing	12,255	7,936	2,623	-	4,138	-	19,016	7,936
Farm-related business	3,769	5,203	-	859	-	-	3,769	6,062
Total agribusiness	16,024	13,139	2,623	859	4,138	-	22,785	13,998
Total	\$ 56,629	\$ 91,976	\$ 2,623	\$ 1,971	\$ 9,017	\$ -	\$ 68,269	\$ 93,947

	December 31, 2010							
	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	\$ 29,900	\$ 63,496	-	-	\$ 2,728	-	\$ 32,628	\$ 63,496
Production and intermediate-term	25,486	23,299	1,243	-	1,843	-	28,572	23,299
Agribusiness								
Processing and marketing	12,803	6,225	1,770	-	2,737	-	17,310	6,225
Farm-related business	1,266	6,357	-	910	-	-	1,266	7,267
Total agribusiness	14,069	12,582	1,770	910	2,737	-	18,576	13,492
Total	\$ 69,455	\$ 99,377	\$ 3,013	\$ 910	\$ 7,308	\$ -	\$ 79,776	\$ 100,287

A significant source of liquidity for the Association is the repayments and maturities of loans. The following table presents the contractual maturity distribution of loans by loan type at June 30, 2011 and indicates that approximately 24.31 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	\$ 14,802	\$ 34,252	\$ 129,362	\$ 178,416
Production and intermediate-term	46,286	33,150	7,868	87,304
Agribusiness				
Processing and marketing	12,182	4,596	6,310	23,088
Farm-related business	481	4,805	5,708	10,994
Total agribusiness	12,663	9,401	12,018	34,082
Rural residential real estate	13	610	3,052	3,675
Total Loans	\$ 73,764	\$ 77,413	\$ 152,300	\$ 303,477

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 as June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010		June 30, 2011	December 31, 2010
Real estate mortgage:			Farm-related business:		
Acceptable	90.42%	92.53%	Acceptable	100.00%	100.00%
OAEM	4.48	0.35	OAEM	-	-
Substandard/doubtful/loss	5.10	7.12	Substandard/doubtful/loss	-	-
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Total agribusiness:		
Acceptable	88.74%	87.32%	Acceptable	84.13%	61.74%
OAEM	4.12	7.06	OAEM	12.75	24.44
Substandard/doubtful/loss	7.14	5.62	Substandard/doubtful/loss	3.12	13.82
	100.00%	100.00%		100.00%	100.00%
Agribusiness:			Rural residential real estate:		
Loans to cooperatives:			Acceptable	92.76%	93.42%
Acceptable	100.00%	-%	OAEM	6.76	6.58
OAEM	-	-	Substandard/doubtful/loss	.48	-
Substandard/doubtful/loss	-	-		100.00%	100.00%
	100.00%	-%	Total Loans:		
Processing and marketing:			Acceptable	89.26%	86.97%
Acceptable	76.53%	52.14%	OAEM	5.33	5.41
OAEM	18.86	30.57	Substandard/doubtful/loss	5.41	7.62
Substandard/doubtful/loss	4.61	17.29		100.00%	100.00%
	100.00%	100.00%			

The following tables provide an age analysis of past due loans and related accrued interest as of June 30, 2011 and December 31, 2010:

	June 30, 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	\$ 477	\$ 5,596	\$ 6,073	\$ 174,625	\$ 180,698	\$ -
Production and intermediate-term	288	5,795	6,083	82,091	88,174	-
Agribusiness						
Processing and marketing	557	1,020	1,577	21,675	23,252	-
Farm-related business	-	-	-	11,134	11,134	-
Total agribusiness	557	1,020	1,577	32,809	34,386	-
Rural residential real estate	52	-	52	3,641	3,693	-
Total	\$ 1,374	\$ 12,411	\$ 13,785	\$ 293,166	\$ 306,951	\$ -
	December 31, 2010					
	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	\$ 1,296	\$ 8,354	\$ 9,650	\$ 173,161	\$ 182,811	\$ -
Production and intermediate-term	2,750	3,377	6,127	63,381	69,508	-
Agribusiness						
Processing and marketing	-	930	930	32,907	33,837	-
Farm-related business	-	-	-	8,680	8,680	-
Total agribusiness	-	930	930	41,587	42,517	-
Rural residential real estate	29	-	29	4,107	4,136	-
Total	\$ 4,075	\$ 12,661	\$ 16,736	\$ 282,236	\$ 298,972	\$ -

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 June 30, 2011 and December 31, 2010 are as follows:

	June 30, 2011	December 31, 2010
Nonaccrual loans:		
Real estate mortgage	\$ 5,867	\$ 8,576
Production and intermediate-term	6,122	4,766
Agribusiness		
Processing and marketing	1,021	5,850
Total agribusiness	1,021	5,850
Total nonaccrual loans	<u>\$ 13,010</u>	<u>\$ 19,192</u>
Accruing restructured loans:		
Real estate mortgage	\$ 1,975	\$ 1,136
Production and intermediate-term	95	19
Agribusiness		
Processing and marketing	-	-
Total agribusiness	-	-
Total accruing restructured loans	<u>\$ 2,070</u>	<u>\$ 1,155</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	\$ -	-
Production and intermediate-term	-	\$ -
Agribusiness		
Processing and marketing	-	-
Total agribusiness	-	-
Total accruing loans 90 days or more past due	<u>\$ -</u>	<u>\$ -</u>
Total nonperforming loans	\$ 15,080	\$ 20,347
Other property owned	7,246	8,614
Total nonperforming assets	<u>\$ 22,326</u>	<u>\$ 28,961</u>
Nonaccrual loans as a percentage of total loans	4.29%	6.51%
Nonperforming assets as a percentage of total loans and other property owned	7.19%	9.54%
Nonperforming assets as a percentage of capital	<u>33.87%</u>	<u>44.01%</u>

The following table presents information relating to impaired loans (including accrued interest) at June 30, 2011 and December 31, 2010. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	June 30, 2011	December 31, 2010
Impaired nonaccrual loans:		
Current as to principal and interest	\$ 311	\$ 6,516
Past due	12,699	12,676
Total impaired nonaccrual loans	<u>13,010</u>	<u>19,192</u>
Impaired accrual loans:		
Restructured	2,070	1,155
90 days or more past due	-	-
Total impaired accrual loans	<u>2,070</u>	<u>1,155</u>
Total impaired loans	<u>\$ 15,080</u>	<u>\$ 20,347</u>

Additional impaired loan information as of June 30, 2011 and December 31, 2010 is as follows:

	June 30, 2011			Quarter Ended June 30, 2011		Six Months Ended June 30, 2011	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:							
Real estate mortgage	\$ 3,042	\$ 5,106	\$ 223	\$ 4,630	\$ 38	\$ 4,558	\$ 41
Production and intermediate-term Agribusiness	3,018	3,189	1,105	4,592	38	4,521	41
Processing and marketing	-	-	-	-	-	-	-
Total agribusiness	-	-	-	-	-	-	-
Total	\$ 6,060	\$ 8,295	\$ 1,328	\$ 9,222	\$ 76	\$ 9,079	\$ 82
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	\$ 4,800	\$ 5,461	\$ -	\$ 7,303	\$ 61	\$ 7,190	\$ 66
Production and intermediate-term Agribusiness	3,199	8,045	-	4,868	40	4,792	43
Processing and marketing	1,021	1,844	-	1,553	13	1,529	14
Total agribusiness	1,021	1,844	-	1,553	13	1,529	14
Total	\$ 9,020	\$ 15,350	\$ -	\$ 13,724	\$ 114	\$ 13,511	\$ 123
Total impaired loans:							
Real estate mortgage	\$ 7,842	\$ 10,567	\$ 223	\$ 11,933	\$ 99	\$ 11,748	\$ 106
Production and intermediate-term Agribusiness	6,217	11,234	1,105	9,460	78	9,313	84
Processing and marketing	1,021	1,844	-	1,553	13	1,529	14
Total agribusiness	1,021	1,844	-	1,553	13	1,529	14
Total	\$ 15,080	\$ 23,645	\$ 1,328	\$ 22,946	\$ 190	\$ 22,590	\$ 205

	December 31, 2010			Year Ended December 31, 2010	
	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	\$ 3,163	\$ 6,193	\$ 183	\$ 4,317	\$ 158
Production and intermediate-term Agribusiness	1,260	1,468	140	1,720	63
Processing and marketing	5,850	6,182	865	7,986	293
Total agribusiness	5,850	6,182	865	7,986	293
Total	\$ 10,273	\$ 13,843	\$ 1,188	\$ 14,023	\$ 514
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	\$ 6,549	\$ 6,753	\$ -	\$ 10,101	\$ 370
Production and intermediate-term Agribusiness	3,525	7,531	-	3,649	134
Processing and marketing	-	-	-	-	-
Total agribusiness	-	-	-	-	-
Total	\$ 10,074	\$ 14,284	\$ -	\$ 13,750	\$ 504
Total impaired loans:					
Real estate mortgage	\$ 9,712	\$ 12,946	\$ 183	\$ 14,418	\$ 528
Production and intermediate-term Agribusiness	4,785	8,999	140	5,369	197
Processing and marketing	5,850	6,182	865	7,986	293
Total agribusiness	5,850	6,182	865	7,986	293
Total	\$ 20,347	\$ 28,127	\$ 1,188	\$ 27,773	\$ 1,018

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

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at June 30, 2011 and December 31, 2010.

A summary of changes in the allowance for loan losses and period end recorded investment in loans at June 30, 2011 and December 31, 2010 is as follows:

June 30, 2011					
	Real Estate Mortgage	Production and Intermediate- term	Agribusiness	Rural Residential Real Estate	Total
Allowance for credit losses:					
Balance at December 31, 2010	\$ 2,856	\$ 1,348	\$ 1,472	\$ 82	\$ 5,758
Charge-offs	(193)	(264)	(2,930)	-	(3,387)
Recoveries	180	-	-	-	180
Provision for loan losses	(1,572)	596	1,689	(51)	662
Adjustment due to merger	-	-	-	-	-
Other	-	-	-	-	-
Balance at June 30, 2011	<u>\$ 1,271</u>	<u>\$ 1,680</u>	<u>\$ 231</u>	<u>\$ 31</u>	<u>\$ 3,213</u>
June 30, 2011 allowance ending balance:					
Loans individually evaluated for impairment	<u>\$ 223</u>	<u>\$ 1,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,328</u>
Loans collectively evaluated for impairment	<u>\$ 1,048</u>	<u>\$ 575</u>	<u>\$ 231</u>	<u>\$ 31</u>	<u>\$ 1,885</u>
Recorded investment in loans outstanding:					
Ending Balance at June 30, 2011	<u>\$ 180,698</u>	<u>\$ 88,174</u>	<u>\$ 34,386</u>	<u>\$ 3,693</u>	<u>\$ 306,951</u>
June 30, 2011 recorded investment ending balance:					
Loans individually evaluated for impairment	<u>\$ 7,842</u>	<u>\$ 6,217</u>	<u>\$ 1,021</u>	<u>\$ -</u>	<u>\$ 15,080</u>
Loans collectively evaluated for impairment	<u>\$ 172,856</u>	<u>\$ 81,957</u>	<u>\$ 33,365</u>	<u>\$ 3,693</u>	<u>\$ 291,871</u>
December 31, 2010					
	Real Estate Mortgage	Production and Intermediate- term	Agribusiness	Rural Residential Real Estate	Total
Allowance for credit losses:					
Balance at December 31, 2009	\$ 1,738	\$ 1,113	\$ 1,962	\$ 45	\$ 4,858
Charge-offs	(3,765)	(3,199)	(1)	-	(6,965)
Recoveries	248	8,190	13	-	8,451
Provision for loan losses	4,635	(4,756)	(502)	37	(586)
Balance at December 31, 2010	<u>\$ 2,856</u>	<u>\$ 1,348</u>	<u>\$ 1,472</u>	<u>\$ 82</u>	<u>\$ 5,758</u>
December 31, 2010 allowance ending balance:					
Loans individually evaluated for impairment	<u>\$ 183</u>	<u>\$ 140</u>	<u>\$ 865</u>	<u>\$ -</u>	<u>\$ 1,188</u>
Loans collectively evaluated for impairment	<u>\$ 2,673</u>	<u>\$ 1,208</u>	<u>\$ 607</u>	<u>\$ 82</u>	<u>\$ 4,570</u>
Recorded investment in loans outstanding:					
Ending Balance at December 31, 2010	<u>\$ 182,811</u>	<u>\$ 69,508</u>	<u>\$ 42,517</u>	<u>\$ 4,136</u>	<u>\$ 298,972</u>
December 31, 2010 recorded investment ending balance:					
Loans individually evaluated for impairment	<u>\$ 9,712</u>	<u>\$ 4,785</u>	<u>\$ 5,850</u>	<u>\$ -</u>	<u>\$ 20,347</u>
Loans collectively evaluated for impairment	<u>\$ 173,099</u>	<u>\$ 64,723</u>	<u>\$ 36,667</u>	<u>\$ 4,136</u>	<u>\$ 278,625</u>

NOTE 4 – EMPLOYEE BENEFIT PLANS

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

	For the six months ended June 30,	
	2011	2010
Pension	\$ 539	\$ 496
401(k)	66	62
Other postretirement benefits	85	64
Total	<u>\$ 690</u>	<u>\$ 622</u>

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

	Actual YTD Through 6/30/11	Projected Contributions For Remainder of 2011	Projected Total Contributions 2011
Pension	\$ -	\$ 881	\$ 881
Other postretirement benefits	44	58	102
Total	<u>\$ 44</u>	<u>\$ 939</u>	<u>\$ 983</u>

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, 2011.

Further details regarding employee benefit plans are contained in the 2010 Annual Report to Shareholders.

NOTE 5 – NOTES PAYABLE TO AGFIRST FARM CREDIT BANK

The Association's indebtedness to the Bank represents borrowings by the Association primarily to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the terms of the revolving line of credit are governed by the General Financing Agreement (GFA). The GFA defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants. The Association failed to meet its earnings covenant under the GFA at June 30, 2011. The default allows the Bank, in conjunction with the FCA, to accelerate repayment of all indebtedness. During July 2011, the Bank approved a temporary waiver of the default through August 31, 2011, at which date AgFirst will assess revised financial projections and determine whether and under what terms and conditions it will allow the Association to operate under a special credit agreement (SCA) pursuant to its GFA.

NOTE 6 – FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Association adopted FASB guidance on, fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value and expands the Association's fair value disclosures for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities consist primarily of investments available for sale, 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.

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 at June 30, 2011.

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 June 30, 2011.

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 instrument 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 June 30, 2011 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.

Other property owned is classified as a Level 3 asset at June 30, 2011. The fair value for other property owned 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. Level 3 liabilities at June 30, 2011 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011 and December 31, 2010 for each of the fair value hierarchy levels:

June 30, 2011				
	Level 1	Level 2	Level 3	Total Fair Value
Liabilities:				
Standby letters of credit	\$ -	\$ -	\$ 27	\$ 27
Total Liabilities	\$ -	\$ -	\$ 27	\$ 27
December 31, 2010				
	Level 1	Level 2	Level 3	Total Fair Value
Liabilities:				
Standby letters of credit	\$ -	\$ -	\$ 23	\$ 23
Total Liabilities	\$ -	\$ -	\$ 23	\$ 23

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2011 and 2010. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the first six months of 2011 and 2010.

	Standby Letters Of Credit
Balance at January 1, 2011	\$ 23
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive loss	-
Purchases	-
Sales	-
Issuances	4
Settlements	-
Transfers in and/or out of level 3	-
Balance at June 30, 2011	\$ 27

	Standby Letters Of Credit
Balance at January 1, 2010	\$ 15
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive loss	-
Purchases, sales, issuances and settlements, net	(8)
Transfers in and/or out of level 3	-
Balance at June 30, 2010	\$ 7

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

Assets and liabilities measured at fair value on a non-recurring basis during the period at June 30, 2011 and December 31, 2010 for each of the fair value hierarchy values are summarized below:

June 30, 2011					
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	\$ -	\$ -	\$ 2,490	\$ 2,490	\$ (3,347)
Other property owned	\$ -	\$ -	\$ 5,895	\$ 5,895	\$ (1,827)
December 31, 2010					
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	\$ -	\$ -	\$ 9,086	\$ 9,086	\$ (2,032)
Other property owned	\$ -	\$ -	\$ 8,614	\$ 8,614	\$ (3,001)

NOTE 7 — DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Association's financial instruments at June 30, 2011 and December 31, 2010.

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 estimated fair values of the Association's financial instruments are as follows:

	June 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash	\$ 421	\$ 421	\$ 910	\$ 910
Loans, net of allowance	\$ 303,738	\$ 305,363	\$ 293,214	\$ 291,309
Investment securities	\$ 8,414	\$ 8,453	\$ 8,471	\$ 8,229
Tobacco Buyout SIIC	\$ 36,495	\$ 38,208	\$ 48,671	\$ 50,715
Financial liabilities:				
Notes payable to AgFirst Farm Credit Bank	\$ 304,878	\$ 308,177	\$ 311,502	\$ 315,491

A description of the methods and assumptions used to estimate the fair value of each class of the Association's financial instruments for which it is practicable to estimate that value follows:

- A. **Cash:** The carrying value is primarily a reasonable estimate of fair value.
- B. **Loans:** Because no active market exists for the Association's loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. Discount rates are based on the Bank's loan rates as well as management estimates.

For purposes of determining fair value of accruing loans, 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 value of loans in a nonaccrual status is estimated to be the carrying amount of the loan less specific reserves.

The book value of accrued interest, which has been included in the carrying amount of loans, approximates its fair value.

- C. **Investment Securities:** For asset-backed securities, fair value is primarily based upon prices obtained from a third party valuation service. For mission related investments, fair value is determined by discounting the expected future cash flows using appropriate interest rates for similar assets.
- D. **Investment in AgFirst Farm Credit Bank and Other Farm Credit Institutions:** 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 2.68 percent of the issued stock of the Bank as of June 30, 2011 net of any reciprocal investment. As of that date, the Bank's assets totaled \$30.1 billion and shareholders' equity totaled \$2.1 billion. The Bank's earnings were \$208 million during the first six months of 2011.

In addition, the Association has an investment of \$1,243 related to other Farm Credit institutions.

- E. **Notes Payable to AgFirst Farm Credit Bank:** 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 plus accrued interest on the notes payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

The book value of accrued interest, which has been included in the carrying amount of notes payable, approximates its fair value.

- F. **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 and since the related credit risk is not significant.
- G. **Tobacco Buyout SIIC:** Fair value is determined by discounting the expected future cash flows using current interest rates for similar assets.

NOTE 8 – REGULATORY ENFORCEMENT MATTERS

During the second quarter of 2010, the FCA entered into a written supervisory agreement with the Association. The written supervisory agreement required the Association to take corrective actions with respect to certain areas of its operations, including capital, portfolio management, and asset quality. The Association remains under written supervisory agreement as of the date of this report.

NOTE 9 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined there are none requiring disclosure through August 8, 2011, which is the date the financial statements were issued.