Carolina 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 Carolina 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.

Michael R. Morton
Chief Executive Officer

Steven L. Cobb
Chief Information and Technology Officer

Joseph A. Lail
Chairman of the Board

May 9, 2012

Carolina 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.

Michael R Morton

Michael Morton
Chief Executive Officer

Steven L. Cobb

Steven L. Cobb
Chief Information and Technology Officer

May 9, 2012

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 Carolina 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 in our region, including part-time farm, poultry, and rural home loans. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, reduces the dependency on a single agricultural commodity.

The gross loan volume of the Association as of March 31, 2012, was $1,152,624 a decrease of $18,880 as compared to $1,171,504 at December 31, 2011. Net loans outstanding at March 31, 2012, were $1,146,893 as compared to $1,166,458 at December 31, 2011. Net loans accounted for 90.62 percent of total assets at March 31, 2012, as compared to 88.75 percent of total assets at December 31, 2011. The decrease in loan volume during the reporting period is a result of principal payments and payoffs outpacing new loan volume.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory.

Nonaccrual loans increased from $45,805 at December 31, 2011, to $46,933 at March 31, 2012. This increase is primarily the result of transfers of loan volume to nonaccrual being more than regular payments made on nonaccrual loans, along with nonaccrual loans liquidated or reinstated to accrual status.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2012, was $5,731 compared to $5,046 at December 31, 2011, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2012

Net income for the three months ended March 31, 2012, totaled $5,806, as compared to $5,339 for the same period in 2011. Net interest income increased $12 for the three months ended March 31, 2012, as compared to the same period in 2011.

At March 31, 2012, total interest income decreased $1,078 compared to March 31, 2011. Nonaccrual income was $142 for the three months ended March 31, 2012, as compared to $243 for the same period in 2011. Interest expense decreased $1,090 for the three months ended March 31, 2012, as compared to the comparable period of 2011.

The Association recorded a provision for loan losses of $802 for the three months ended March 31, 2012 as compared to a provision of $1,954 for the same period of 2011.

Noninterest income for the three months ended March 31, 2012, totaled $4,717 as compared to $5,271 for the same period of 2011, a decrease of $554. This decline in earnings is attributed to a decrease of $186 in loan fees, $346 in equity in earnings of other Farm Credit institutions, $260 in gains (losses) on other property owned, and $78 in other non-interest income (expense) when compared to the same period in 2011. These decreases were offset by increases of $71 in fees for financially related services, $233 in gains on sale of rural home loans, and $12 gains (losses) on sales of premises and equipment when compared for the same period of 2011.

Noninterest expense for the three months ended March 31, 2012, increased $139 compared to the same period of 2011. This rise in noninterest expense is attributed to an increase of $84 in salaries and employee benefits, $25 in occupancy, and equipment and $60 in other operating expenses when compared to the same period in 2011. These increases were offset by a decrease of $30 in the insurance fund premium when compared for the same period of 2011

The Association recorded a provision for income taxes of $4 for the three months ended March 31, 2012 as compared no provision for the same period of 2011.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst 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 funds are advanced by the Bank to the Association in the form of notes payable. The notes payable is 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 $986,715 as compared to $1,040,877 at December 31, 2011. The decrease during the period is primarily attributable to the decline in loan volume.

The Association has no lines of credit outstanding with third parties as of March 31, 2012.

CAPITAL RESOURCES

Total members' equity at March 31, 2012, increased to $250,608 from the December 31, 2011, total of $244,588. The change in capital is attributed to net earnings for the three months ending March 31, 2012.

Farm Credit administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2012, the Association's total surplus ratio and core surplus ratio were 18.41 percent and 15.32 percent, respectively, and the permanent capital ratio was 19.12 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.

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 1-800-521-9952, or writing Michael R. Morton, CEO, Carolina Farm Credit, ACA, P.O. Box 1827, Statesville NC 28687-1827, or accessing the website, www.carolinafarmcredit.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.

Carolina Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2012 *(unaudited)*	December 31, 2011 *(audited)*
Assets		
Cash	$ 1,828	$ 2,757
Investment securities:		
Held to maturity (fair value of $3,265 and $2,717 respectively)	3,072	2,433
Loans	1,152,624	1,171,504
Less: allowance for loan losses	5,731	5,046
Net loans	1,146,893	1,166,458
Other investments	22,805	34,624
Accrued interest receivable	11,792	13,118
Investments in other Farm Credit institutions	36,311	36,236
Premises and equipment, net	15,102	15,128
Other property owned	6,876	6,825
Due from AgFirst Farm Credit Bank	3,644	17,783
Other assets	17,221	18,889
Total assets	$ 1,265,544	$ 1,314,251
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 986,715	$ 1,040,877
Accrued interest payable	2,130	2,363
Patronage refunds payable	759	5,135
Other liabilities	25,332	21,288
Total liabilities	1,014,936	1,069,663
Commitments and contingencies		
Members' Equity		
Protected borrower stock	51	67
Capital stock and participation certificates	8,028	7,833
Retained earnings		
Allocated	138,151	137,891
Unallocated	105,401	99,863
Accumulated other comprehensive income (loss)	(1,023)	(1,066)
Total members' equity	250,608	244,588
Total liabilities and members' equity	$ 1,265,544	$ 1,314,251

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

Carolina Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2012	2011
Interest Income		
Investment securities	$ 37	$ 31
Loans	16,003	16,951
Other investments	309	445
Total interest income	16,349	17,427
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	6,449	7,541
Other	2	–
Total interest expense	6,451	7,541
Net interest income	9,898	9,886
Provision for loan losses	802	1,954
Net interest income after provision for loan losses	9,096	7,932
Noninterest Income		
Loan fees	577	763
Fees for financially related services	154	83
Patronage refunds from other Farm Credit institutions	3,647	3,993
Gains (losses) on other property owned, net	(429)	(169)
Gains (losses) on sales of rural home loans, net	621	388
Gains (losses) on sales of premises and equipment, net	63	51
Other noninterest income	84	162
Total noninterest income	4,717	5,271
Noninterest Expense		
Salaries and employee benefits	5,734	5,650
Occupancy and equipment	712	687
Insurance Fund premiums	120	150
Other operating expenses	1,437	1,377
Total noninterest expense	8,003	7,864
Income before income taxes	5,810	5,339
Provision for income taxes	4	–
Net income	$ 5,806	$ 5,339

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

Carolina Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2012	2011
Net income	$ 5,806	$ 5,339
Other comprehensive income net of tax		
Employee benefit plans adjustments	43	34
Comprehensive income	$ 5,849	$ 5,373

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

Carolina 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	$ 119	$ 7,893	$ 126,490	$ 104,335	$ (1,000)	$ 237,837
Comprehensive income				5,339	34	5,373
Protected borrower stock retired	(41)					(41)
Capital stock/participation certificates issued/(retired), net		207				207
Patronage distribution adjustment			(787)	285		(502)
Balance at March 31, 2011	$ 78	$ 8,100	$ 125,703	$ 109,959	$ (966)	$ 242,874
Balance at December 31, 2011	$ 67	$ 7,833	$ 137,891	$ 99,863	$ (1,066)	$ 244,588
Comprehensive income				5,806	43	5,849
Protected borrower stock retired	(16)					(16)
Capital stock/participation certificates issued/(retired), net		195				195
Patronage distribution adjustment			260	(268)		(8)
Balance at March 31, 2012	$ 51	$ 8,028	$ 138,151	$ 105,401	$ (1,023)	$ 250,608

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

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with 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 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 — INVESTMENT SECURITIES

A summary of the amortized cost and fair value of investment securities held-to-maturity at March 31, 2012 and December 31, 2011 follows.

	March 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 3,072	$ 250	$ (57)	$ 3,265	5.33%

	December 31, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 2,433	$ 309	$ (25)	$ 2,717	5.61%

A summary of the expected maturity, amortized cost and estimated fair value of investment securities held-to-maturity at March 31, 2012 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	3,072	3,265	5.33
Total	$ 3,072	$ 3,265	5.33 %

The Association's 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 were in a continuous unrealized loss position aggregated by investment category at March 31, 2012 and December 31, 2011.

	March 31, 2012			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission-related investments	$ 1,438	$ (57)	$ –	$ –

	December 31, 2011			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission-related investments	$ 826	$ (25)	$ –	$ –

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. 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. The Association does not intend to sell these investments and it is not more likely than not that the Association would be required to sell these investments before recovering its costs. All securities continue to perform.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	March 31, 2012	December 31, 2011
Real estate mortgage	$ 504,424	$ 467,920
Production and intermediate-term	530,456	582,358
Agribusiness		
Loans to cooperatives	10,278	7,467
Processing and marketing	29,965	36,224
Farm-related business	10,666	8,461
Total agribusiness	50,909	52,152
Communication	5,786	5,867
Energy	1,233	1,685
Water and waste disposal	21	22
Rural residential real estate	59,795	61,500
Total Loans	$ 1,152,624	$ 1,171,504

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA 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	$ 8,929	$ 162,186	$ –	$ –	$ 901	$ –	$ 9,830	$ 162,186
Production and intermediate-term	28,127	129,065	1,830	–	26	–	29,983	129,065
Agribusiness								
Loans to cooperatives	10,293	–	20	–	–	–	10,313	–
Processing and marketing	27,945	1,747	405	–	–	–	28,350	1,747
Farm-related business	6,793	929	207	–	–	–	7,000	929
Total agribusiness	45,031	2,676	632	–	–	–	45,663	2,676
Communication	5,818	–	–	–	–	–	5,818	–
Energy	1,268	–	–	–	–	–	1,268	–
Rural residential real estate	–	1,420	–	–	–	–	–	1,420
Total	$ 89,173	$ 295,347	$ 2,462	$ –	$ 927	$ –	$ 92,562	$ 295,347

	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	$ 12,391	$ 152,825	$ –	$ –	$ 923	$ –	$ 13,314	$ 152,825
Production and intermediate-term	31,308	161,803	1,971	–	29	–	33,308	161,803
Agribusiness								
Loans to cooperatives	7,494	–	21	–	–	–	7,515	–
Processing and marketing	32,290	1,855	469	–	–	–	32,759	1,855
Farm-related business	4,873	956	218	–	–	–	5,091	956
Total agribusiness	44,657	2,811	708	–	–	–	45,365	2,811
Communication	5,899	–	–	–	–	–	5,899	–
Energy	1,729	–	–	–	–	–	1,729	–
Rural residential real estate	–	2,040	–	–	–	–	–	2,040
Total	$ 95,984	$ 319,479	$ 2,679	$ –	$ 952	$ –	$ 99,615	$ 319,479

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 25.83 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	$ 67,437	$ 106,651	$ 330,336	$ 504,424
Production and intermediate-term	177,995	184,353	168,108	530,456
Agribusiness				
Loans to cooperatives	9,723	530	25	10,278
Processing and marketing	25,785	2,576	1,604	29,965
Farm-related business	4,777	5,465	424	10,666
Total agribusiness	40,285	8,571	2,053	50,909
Communication	5,679	107	–	5,786
Energy	1,233	–	–	1,233
Water and waste disposal	21	–	–	21
Rural residential real estate	5,026	11,413	43,356	59,795
Total Loans	$ 297,676	$ 311,095	$ 543,853	$ 1,152,624

The following table shows loans and related accrued interest classified under the FCA 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	87.62%	86.22%
OAEM	3.79	3.92
Substandard/doubtful/loss	8.59	9.86
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	85.55%	83.63%
OAEM	5.87	8.98
Substandard/doubtful/loss	8.58	7.39
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	92.94%	87.42%
OAEM	7.06	12.58
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	81.04%	82.32%
OAEM	4.36	3.64
Substandard/doubtful/loss	14.60	14.04
	100.00%	100.00%
Farm-related business:		
Acceptable	99.78%	99.73%
OAEM	–	–
Substandard/doubtful/loss	0.22	0.27
	100.00%	100.00%

	March 31, 2012	December 31, 2011
Total agribusiness:		
Acceptable	87.37%	85.88%
OAEM	3.99	4.32
Substandard/doubtful/loss	8.64	9.80
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	94.50%	95.30%
OAEM	2.54	1.59
Substandard/doubtful/loss	2.96	3.11
	100.00%	100.00%
Total Loans:		
Acceptable	87.08%	85.47%
OAEM	4.67	6.31
Substandard/doubtful/loss	8.25	8.22
	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	$ 5,666	$ 10,755	$ 16,421	$ 493,754	$ 510,175	$ –
Production and intermediate-term	10,832	12,954	23,786	512,241	536,027	–
Agribusiness						
Loans to cooperatives	–	–	–	10,298	10,298	–
Processing and marketing	–	–	–	30,037	30,037	–
Farm-related business	20	962	982	9,721	10,703	–
Total agribusiness	20	962	982	50,056	51,038	–
Communication	–	–	–	5,789	5,789	–
Energy and water/waste disposal	–	–	–	1,255	1,255	–
Rural residential real estate	1,534	920	2,454	57,664	60,118	–
Total	$ 18,052	$ 25,591	$ 43,643	$ 1,120,759	$ 1,164,402	$ –

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	$ 26,832	$ 6,869	$ 33,701	$ 440,679	$ 474,380	$ –
Production and intermediate-term	5,294	9,764	15,058	573,515	588,573	–
Agribusiness						
Loans to cooperatives	–	–	–	7,482	7,482	–
Processing and marketing	–	–	–	36,345	36,345	–
Farm-related business	–	1,362	1,362	7,123	8,485	–
Total agribusiness	–	1,362	1,362	50,950	52,312	–
Communication	–	–	–	5,869	5,869	–
Energy and water/waste disposal	–	–	–	1,710	1,710	–
Rural residential real estate	1,437	1,085	2,522	59,228	61,750	–
Total	$ 33,563	$ 19,080	$ 52,643	$ 1,131,951	$ 1,184,594	$ –

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	$ 16,905	$ 15,441
Production and intermediate-term	27,339	25,239
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	448	2,348
Farm-related business	985	1,385
Total agribusiness	1,433	3,733
Rural residential real estate	1,256	1,392
Total nonaccrual loans	$ 46,933	$ 45,805
Accruing restructured loans:		
Real estate mortgage	$ 72	72
Production and intermediate-term	382	369
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	100	100
Total accruing restructured loans	$ 554	$ 541
Accruing loans 90 days or more past due:		
Real estate mortgage	$ –	$ –
Production and intermediate-term	–	–
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 47,487	$ 46,346
Other property owned	6,876	6,825
Total nonperforming assets	$ 54,363	$ 53,171
Nonaccrual loans as a percentage of total loans	4.07%	3.91%
Nonperforming assets as a percentage of total loans and other property owned	4.69%	4.51%
Nonperforming assets as a percentage of capital	21.69%	21.74%

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	$ 12,911	$ 20,404
Past due	34,022	25,401
Total impaired nonaccrual loans	46,933	45,805
Impaired accrual loans:		
Restructured	554	541
90 days or more past due	–	–
Total impaired accrual loans	554	541
Total impaired loans	$ 47,487	$ 46,346

The following tables present additional information concerning impaired loans and related allowance by loan type at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	March 31, 2012			Quarter Ended March 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 8,267	$ 8,888	$ 676	$ 7,968	$ 25
Production and intermediate-term	7,724	7,862	2,725	7,445	23
Agribusiness					
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Total agribusiness	–	–	–	–	–
Rural residential real estate	627	654	200	604	2
Total	$ 16,618	$ 17,404	$ 3,601	$ 16,017	$ 50
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 8,710	$ 9,351	$ –	$ 8,396	$ 26
Production and intermediate-term	19,997	23,542	–	19,274	61
Agribusiness					
Processing and marketing	448	3,909	–	432	1
Farm-related business	985	1,101	–	949	3
Total agribusiness	1,433	5,010	–	1,381	4
Rural residential real estate	729	856	–	702	2
Total	$ 30,869	$ 38,759	$ –	$ 29,753	$ 93
Total impaired loans:					
Real estate mortgage	$ 16,977	$ 18,239	$ 676	$ 16,364	$ 51
Production and intermediate-term	27,721	31,404	2,725	26,719	84
Agribusiness					
Processing and marketing	448	3,909	–	432	1
Farm-related business	985	1,101	–	949	3
Total agribusiness	1,433	5,010	–	1,381	4
Rural residential real estate	1,356	1,510	200	1,306	4
Total	$ 47,487	$ 56,163	$ 3,601	$ 45,770	$ 143

	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	$ 4,629	$ 4,791	$ 493	$ 4,650	$ 103
Production and intermediate-term	7,509	7,620	2,294	7,543	167
Agribusiness					
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Total agribusiness	–	–	–	–	–
Rural residential real estate	650	662	225	653	15
Total	$ 12,788	$ 13,073	$ 3,012	$ 12,846	$ 285
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 10,884	$ 11,953	$ –	$ 10,934	$ 242
Production and intermediate-term	18,099	21,483	–	18,182	403
Agribusiness					
Processing and marketing	2,348	5,778	–	2,359	52
Farm-related business	1,385	1,747	–	1,391	31
Total agribusiness	3,733	7,525	–	3,750	83
Rural residential real estate	842	971	–	846	18
Total	$ 33,558	$ 41,932	$ –	$ 33,712	$ 746
Total impaired loans:					
Real estate mortgage	$ 15,513	$ 16,744	$ 493	$ 15,584	$ 345
Production and intermediate-term	25,608	29,103	2,294	25,725	570
Agribusiness					
Processing and marketing	2,348	5,778	–	2,359	52
Farm-related business	1,385	1,747	–	1,391	31
Total agribusiness	3,733	7,525	–	3,750	83
Rural residential real estate	1,492	1,633	225	1,499	33
Total	$ 46,346	$ 55,005	$ 3,012	$ 46,558	$ 1,031

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

There were no 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 follows:

March 31, 2012	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Allowance for credit losses:							
Balance at December 31, 2011	$ 724	$ 3,449	$ 598	$ 6	$ 2	$ 267	$ 5,046
Charge-offs	(206)	(194)	268	–	–	(35)	(167)
Recoveries	24	22	4	–	–	–	50
Provision for loan losses	394	761	(351)	(3)	–	1	802
Balance at March 31, 2012	$ 936	$ 4,038	$ 519	$ 3	$ 2	$ 233	$ 5,731
March 31, 2012 allowance ending balance:							
Loans individually evaluated for impairment	$ 676	$ 2,725	$ –	$ –	$ –	$ 200	$ 3,601
Loans collectively evaluated for impairment	$ 260	$ 1,313	$ 519	$ 3	$ 2	$ 33	$ 2,130
Recorded investment in loans outstanding:							
Ending Balance at March 31, 2012	$ 510,175	$ 536,027	$ 51,038	$ 5,789	$ 1,255	$ 60,118	$ 1,164,402
March 31, 2012 recorded investment ending balance:							
Loans individually evaluated for impairment	$ 16,977	$ 27,721	$ 1,433	$ –	$ –	$ 1,356	$ 47,487
Loans collectively evaluated for impairment	$ 493,198	$ 508,306	$ 49,605	$ 5,789	$ 1,255	$ 58,762	$ 1,116,915

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	$ 806	$ 8,173	$ 1,252	$ 2	$ 1	$ 57	$ 10,291
Charge-offs	(1,508)	(7,316)	(8,607)	–	–	(156)	(17,587)
Recoveries	78	168	67	–	–	6	319
Provision for loan losses	1,348	2,424	7,886	4	1	360	12,023
Balance at December 31, 2011	$ 724	$ 3,449	$ 598	$ 6	$ 2	$ 267	$ 5,046
December 31, 2011 allowance ending balance:							
Loans individually evaluated for impairment	$ 493	$ 2,294	$ –	$ –	$ –	$ 225	$ 3,012
Loans collectively evaluated for impairment	$ 231	$ 1,155	$ 598	$ 6	$ 2	$ 42	$ 2,034
Recorded investment in loans outstanding:							
Ending Balance at December 31, 2011	$ 474,380	$ 588,574	$ 52,312	$ 5,868	$ 1,710	$ 61,750	$ 1,184,594
December 31, 2011 recorded investment ending balance:							
Loans individually evaluated for impairment	$ 15,441	$ 25,239	$ 3,733	$ –	$ –	$ 1,392	$ 45,805
Loans collectively evaluated for impairment	$ 458,939	$ 563,335	$ 48,579	$ 5,868	$ 1,710	$ 60,358	$ 1,138,789

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

	Three months ended March 31, 2012			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 3,507	$ –	$ 3,507
Production and intermediate-term	–	2,165	–	2,165
Rural residential real estate	–	–	78	78
Total	$ –	$ 5,672	$ 78	$ 5,750

	Three months ended March 31, 2012					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ –	$ 3,516	$ –	$ 3,516	$ 25	$ –
Production and intermediate-term	–	2,115	–	2,115	52	(1)
Rural residential real estate	–	–	78	78	41	–
Total	$ –	$ 5,631	$ 78	$ 5,709	$ 118	$ (1)

	Three months ended March 31, 2011			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ 56	$ –	$ –	$ 56
Rural residential real estate	–	117	–	117
Total	$ 56	$ 117	$ –	$ 173

	Three months ended March 31, 2011					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ 42	$ –	$ –	$ 42	$ (2)	$ –
Rural residential real estate	–	100	–	100	5	(5)
Total	$ 42	$ 100	$ –	$ 142	$ 3	$ (5)

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 $13,408, of which $12,854 were in nonaccrual status.

NOTE 4 — 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	$ 1,508	$ 1,463
401(k)	118	118
Other postretirement benefits	215	271
Total	$ 1,841	$ 1,852

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

	Actual YTD Through 3/31/11	Projected Contributions For Remainder of 2011	Projected Total Contributions 2011
Pension	$ 9	$ 4,367	$ 4,376
Other postretirement benefits	171	496	667
Total	$ 180	$ 4,863	$ 5,043

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

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

NOTE 5 — 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 10.27 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 $490 related to other Farm Credit institutions.

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

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

Level 1

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

Level 2

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

For investment securities, the fair value is determined by discounting the expected future cash flows using appropriate interest rates for similar assets.

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.

For investment securities, the fair value is determined by discounting the expected future cash flows using extrapolated interest rates for similar assets.

For other investments, which consist of Tobacco Buyout SIIC, fair value is determined by discounting the expected future cash flows using current interest rates for similar assets.

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	$ 34
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	–
Settlements	(13)
Transfers in and/or out of level 3	–
Balance at March 31, 2012	$ 21

	Standby Letters Of Credit
Balance at January 1, 2011	$ 166
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	–
Settlements	(39)
Transfers in and/or out of level 3	–
Balance at March 31, 2011	$ 127

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/Principle and appropriate interest yield
Loans	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility
Investment securities, held-to-maturity	Discounted cash flow	Probability of default
		Risk adjusted discount rate
Other investments	Discounted cash flow	Probability of default
		Risk adjusted discount rate
Accrued interest	Carrying value	Coupon interest rates
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility

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

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

	March 31, 2012					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Comprehensive Income
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 531	$ 531	$ –	$ –	$ 531	$ 32
Recurring Assets	$ 531	$ 531	$ –	$ –	$ 531	$ 32
Liabilities:						
Standby letters of credit	$ 21	$ –	$ –	$ 21	$ 21	$ –
Recurring Liabilities	$ 21	$ –	$ –	$ 21	$ 21	$ –
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 43,886	$ –	$ –	$ 43,886	$ 43,886	$ (706)
Other property owned	6,876	–	–	7,463	7,463	(403)
Nonrecurring Assets	$ 50,762	$ –	$ –	$ 51,349	$ 51,349	$ (1,109)
Other Financial Instruments						
Assets:						
Cash	$ 1,828	$ 1,828	$ –	$ –	$ 1,828	
Investment securities, held-to-maturity	3,072	–	–	3,265	3,265	
Loans	1,103,007	–	–	1,118,168	1,118,168	
Other investments	22,805	–	–	23,763	23,763	
Accrued interest receivable	11,792	–	11,792	–	11,792	
Other Assets	$ 1,142,504	$ 1,828	$ 11,792	$ 1,145,196	$ 1,158,816	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 986,715	$ –	$ –	$ 993,024	$ 993,024	
Accrued interest payable	2,130	–	2,130	–	2,130	
Other Liabilities	$ 988,845	$ –	$ 2,130	$ 993,024	$ 995,154	

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

	December 31, 2011			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Assets held in trust funds	$ 502	$ –	$ –	$ 502
Total Assets	$ 502	$ –	$ –	$ 502
Liabilities:				
Standby letters of credit	$ –	$ –	$ 34	$ 34
Total Liabilities	$ –	$ –	$ 34	$ 34

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	$ –	$ –	$ 8,823	$ 8,823	$ (11,855)
Other property owned	$ –	$ –	$ 6,955	$ 6,955	$ (1,158)

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	$ 2,757	$ 2,757
Loans, net of allowance	$ 1,166,458	$ 1,184,881
Accrued interest receivable	$ 13,118	$ 13,118
Investment securities	$ 2,433	$ 2,717
Other investments	$ 34,624	$ 35,778
Assets held in trust funds	$ 502	$ 502
Financial liabilities:		
Notes payable to AgFirst Farm Credit Bank	$ 1,043,240	$ 1,056,828

NOTE 6 - ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	Employee Benefit Plans
Balance at December 31, 2010	$ (1,000)
Other comprehensive income	34
Balance at March 31, 2011	$ (966)
Balance at December 31, 2011	$ (1,066)
Other comprehensive income	43
Balance at March 31, 2012	$ (1,023)

	For the three months ended March 31, 2012	2011
Other Comprehensive Income and Reclassification Amounts:		
Amounts reclassified to net periodic pension costs	$ 84	$ 57
Net prior service cost	–	(18)
Net gain (loss) during period	(41)	(5)
Defined benefit post retirement plans, net	$ 43	$ 34

NOTE 7 – 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 $1.3 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 $263 thousand patronage distribution from AgFirst for insurance premium refunds on certain loan pools sold to the Bank.