Carolina Farm Credit, ACA

FIRST QUARTER 2013

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2013 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

Michael R. Morton
Chief Executive Officer

Steven L. Cobb

Steven L. Cobb
Chief Information and Technology Officer

Joseph A. Lail

Joseph A. Lail
Chairman of the Board

May 9, 2013

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, 2013. 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, 2013, 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, 2013.

Michael R Morton

Michael Morton
Chief Executive Officer

Steven L. Cobb

Steven L. Cobb
Chief Information and Technology Officer

May 9, 2013

Carolina 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 Carolina Farm Credit, ACA (Association) for the period ended March 31, 2013. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2012 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, 2013, was $1,161,087 a decrease of $ 27,112 as compared to $1,188,199 at December 31, 2012. Net loans outstanding at March 31, 2013, were $1,152,271 as compared to $1,179,442 at December 31, 2012. Net loans accounted for 91.96 percent of total assets at March 31, 2013, as compared to 90.07 percent of total assets at December 31, 2012. 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 $47,414 at December 31, 2012, to $50,618 at March 31, 2013. 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, 2013, was $8,816 compared to $8,757 at December 31, 2012, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2013

Net income for the three months ended March 31, 2013, totaled $5,860, as compared to $5,806 for the same period in 2012. Net interest income decreased $42 for the three months ended March 31, 2013, as compared to the same period in 2012.

At March 31, 2013, total interest income decreased $440 compared to March 31, 2012. Nonaccrual income was $136 for the three months ended March 31, 2013, as compared to $142 for the same period in 2012. Interest expense decreased $398 for the three months ended March 31, 2013, as compared to the comparable period of 2012.

The Association recorded a provision for loan losses of $179 for the three months ended March 31, 2013 as compared to a provision of $802 for the same period of 2012.

Noninterest income for the three months ended March 31, 2013, totaled $4,575 as compared to $4,717 for the same period of 2012, a decrease of $142. This decline in earnings is attributed to a decrease of $107 in fees for financially related services, $233 in equity in earnings of other Farm Credit institutions, $38 in gains (losses) on sale of rural home loans, $33 gains (losses) on sales of premises and equipment, and $108 in other non-interest income (expense) when compared to the same period in 2012. These decreases were offset by an increase of $10 in loan fees and $367 in gains (losses) on other property owned when compared for the same period of 2012.

Noninterest expense for the three months ended March 31, 2013, increased $388 compared to the same period of 2012. This rise in noninterest expense is attributed to an increase of $323 in salaries and employee benefits and $108 in the insurance fund premium when compared to the same period in 2012. These increases were offset by a decrease of $13 in occupancy and equipment, and $30 in other operating expenses when compared for the same period of 2012

The Association recorded a provision for income taxes of $1 for the three months ended March 31, 2013 as compared a provision of $4 for the same period of 2012.

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, 2013, was $963,357 as compared to $1,023,213 at December 31, 2012. The decrease during the period is primarily attributable to the decline in loan volume and other investments.

The Association has no lines of credit outstanding with third parties as of March 31, 2013.

CAPITAL RESOURCES

Total members' equity at March 31, 2013, increased to $262,335 from the December 31, 2012, total of $256,178. The change in capital is attributed to net earnings for the three months ending March 31, 2013.

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, 2013, the Association's total surplus ratio and core surplus ratio were 19.71 percent and 16.39 percent, respectively, and the permanent capital ratio was 20.42 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, 2013, 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 2012 Annual Report to Shareholders for recently issued accounting pronouncements.

NOTE: Shareholder investment in the Association is materially 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, 2013**	**December 31, 2012**
	(unaudited)	*(audited)*
Assets		
Cash	$ 2,535	$ 2,246
Investment securities:		
Held to maturity (fair value of $3,055 and $3,109, respectively)	2,773	2,791
Loans	1,161,087	1,188,199
Less: allowance for loan losses	8,816	8,757
Net loans	1,152,271	1,179,442
Loans held for sale	5,282	7,218
Other investments	11,780	23,669
Accrued interest receivable	11,756	11,565
Investments in other Farm Credit institutions	30,798	31,208
Premises and equipment, net	15,223	15,696
Other property owned	4,392	4,252
Due from AgFirst Farm Credit Bank	3,414	17,683
Other assets	12,766	13,723
Total assets	$ 1,252,990	$ 1,309,493
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 963,357	$ 1,023,213
Accrued interest payable	1,894	2,054
Patronage refunds payable	955	5,152
Other liabilities	24,449	22,896
Total liabilities	990,655	1,053,315
Commitments and contingencies		
Members' Equity		
Protected borrower stock	37	48
Capital stock and participation certificates	8,070	7,860
Retained earnings		
Allocated	147,516	148,080
Unallocated	107,667	101,265
Accumulated other comprehensive income (loss)	(955)	(1,075)
Total members' equity	262,335	256,178
Total liabilities and members' equity	$ 1,252,990	$ 1,309,493

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, 2013	2012
Interest Income		
Investment securities	$ 39	$ 37
Loans	15,627	16,003
Other investments	243	309
Total interest income	15,909	16,349
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	6,053	6,449
Other	—	2
Total interest expense	6,053	6,451
Net interest income	9,856	9,898
Provision for loan losses	179	802
Net interest income after provision for loan losses	9,677	9,096
Noninterest Income		
Loan fees	587	577
Fees for financially related services	47	154
Patronage refunds from other Farm Credit institutions	3,414	3,647
Gains (losses) on other property owned, net	(62)	(429)
Gains (losses) on sales of rural home loans, net	583	621
Gains (losses) on sales of premises and equipment, net	30	63
Other noninterest income (loss)	(24)	84
Total noninterest income	4,575	4,717
Noninterest Expense		
Salaries and employee benefits	6,057	5,734
Occupancy and equipment	699	712
Insurance Fund premiums	228	120
Other operating expenses	1,407	1,437
Total noninterest expense	8,391	8,003
Income before income taxes	5,861	5,810
Provision for income taxes	1	4
Net income	$ 5,860	$ 5,806

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, 2013		2012	
Net income	$	5,860	$	5,806
Other comprehensive income net of tax				
Employee benefit plans adjustments		120		43
Comprehensive income	$	5,980	$	5,849

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, 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
Balance at December 31, 2012	$ 48	$ 7,860	$ 148,080	$ 101,265	$ (1,075)	$ 256,178
Comprehensive income				5,860	120	5,980
Protected borrower stock retired	(11)					(11)
Capital stock/participation certificates issued/(retired), net		210				210
Patronage distribution adjustment			(564)	542		(22)
Balance at March 31, 2013	$ 37	$ 8,070	$ 147,516	$ 107,667	$ (955)	$ 262,335

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, 2012, are contained in the 2012 Annual Report to Shareholders. These unaudited first quarter 2013 consolidated financial statements should be read in conjunction with the 2012 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, 2013, are not necessarily indicative of the results to be expected for the year ending December 31, 2013.

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, 2013, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Recently Issued Accounting Pronouncements

In February 2013 the FASB issued Accounting Standards Update (ASU) 2013-04, "Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date," which addresses the recognition, measurement and disclosure of certain obligations including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The amendments are to be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the Update's scope that exist at the beginning of an entity's fiscal year of adoption. An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in the Update) and should disclose that fact. The amendments are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2014, and interim periods and annual periods thereafter. Early application is permitted. It is not anticipated the adoption of this guidance will have a material impact on the Association's financial condition or results of operations but will result in additional disclosures.

In February 2013 the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The update is intended to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The amendments do not change the requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early application is permitted.

In January 2013, the FASB issued ASU 2013-01 "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." The Update clarifies that ordinary trade receivables and payables are not in the scope of ASU 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities." Specifically, ASU 2011-11 applies only to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria or subject to a master netting arrangement or similar agreement. The effective date is the same as that for ASU 2011-11 below.

In December 2011, the FASB issued ASU 2011-11, "Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance, in conjunction with ASU 2013-01 above, will not impact the Association's financial condition or its results of operations, but will result in additional disclosures.

Other recently issued accounting pronouncements are discussed in the 2012 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, 2013 and December 31, 2012 follows.

	March 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 2,773	$ 308	$ (26)	$ 3,055	5.45%

	December 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 2,791	$ 333	$ (15)	$ 3,109	5.44%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity at March 31, 2013 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	2,773	3,055	5.45
Total	$ 2,773	$ 3,055	5.45 %

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 tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at March 31, 2013 and December 31, 2012.

	March 31, 2013			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission-related investments	$ 50	$ (12)	$ 587	$ (14)

	December 31, 2012			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission-related investments	$ 657	$ (15)	$ –	$ –

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 in connection with its investment securities. The Association has the ability and intent to hold these investments until 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.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	March 31, 2013	December 31, 2012
Real estate mortgage	$ 525,594	$ 527,939
Production and intermediate-term	528,361	551,031
Agribusiness		
Loans to cooperatives	5,670	2,984
Processing and marketing	27,708	32,307
Farm-related business	7,248	6,048
Total agribusiness	40,626	41,339
Communication	9,102	9,238
Energy	2,293	2,092
Water and waste disposal	–	21
Rural residential real estate	55,111	56,539
Total Loans	$ 1,161,087	$ 1,188,199

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

	March 31, 2013							
	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	$ 7,411	$ 155,085	$ –	$ –	$ 492	$ –	$ 7,903	$ 155,085
Production and intermediate-term	19,527	133,314	3,071	–	12	–	22,610	133,314
Agribusiness								
Loans to cooperatives	5,682	–	12	–	–	–	5,694	–
Processing and marketing	26,829	1,297	–	–	–	–	26,829	1,297
Farm-related business	4,706	724	147	–	–	–	4,853	724
Total agribusiness	37,217	2,021	159	–	–	–	37,376	2,021
Communication	9,122	–	–	–	–	–	9,122	–
Energy	2,327	–	–	–	–	–	2,327	–
Rural residential real estate	–	1,380	–	–	–	–	–	1,380
Total	$ 75,604	$ 291,800	$ 3,230	$ –	$ 504	$ –	$ 79,338	$ 291,800

	December 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	$ 8,927	$ 158,770	$ –	$ –	$ 505	$ –	$ 9,432	$ 158,770
Production and intermediate-term	22,516	171,761	3,077	–	16	–	25,609	171,761
Agribusiness								
Loans to cooperatives	3,002	–	14	–	–	–	3,016	–
Processing and marketing	31,118	1,328	205	–	–	–	31,323	1,328
Farm-related business	3,415	737	149	–	–	–	3,564	737
Total agribusiness	37,535	2,065	368	–	–	–	37,903	2,065
Communication	9,260	–	–	–	–	–	9,260	–
Energy	2,123	–	–	–	–	–	2,123	–
Rural residential real estate	–	1,392	–	–	–	–	–	1,392
Total	$ 80,361	$ 333,988	$ 3,445	$ –	$ 521	$ –	$ 84,327	$ 333,988

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, 2013 and indicates that approximately 22.44 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	$ 72,385	$ 113,142	$ 340,067	$ 525,594
Production and intermediate-term	146,301	201,387	180,673	528,361
Agribusiness				
Loans to cooperatives	5,317	353	–	5,670
Processing and marketing	17,881	9,301	526	27,708
Farm-related business	3,568	2,654	1,026	7,248
Total agribusiness	26,766	12,308	1,552	40,626
Communication	9,078	20	4	9,102
Energy	2,293	–	–	2,293
Rural residential real estate	3,765	10,826	40,520	55,111
Total Loans	$ 260,588	$ 337,683	$ 562,816	$ 1,161,087

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, 2013	December 31, 2012
Real estate mortgage:		
Acceptable	84.24%	86.67%
OAEM	7.15	5.48
Substandard/doubtful/loss	8.61	7.85
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	85.96%	88.35%
OAEM	7.55	4.89
Substandard/doubtful/loss	6.49	6.76
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	92.32%	90.29%
OAEM	7.68	9.71
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	83.26%	80.97%
OAEM	2.93	7.20
Substandard/doubtful/loss	13.81	11.83
	100.00%	100.00%
Farm-related business:		
Acceptable	99.40%	99.57%
OAEM	–	–
Substandard/doubtful/loss	0.60	0.43
	100.00%	100.00%

	March 31, 2013	December 31, 2012
Total agribusiness:		
Acceptable	87.40%	84.36%
OAEM	3.07	6.33
Substandard/doubtful/loss	9.53	9.31
	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	92.98%	92.71%
OAEM	3.24	3.92
Substandard/doubtful/loss	3.78	3.37
	100.00%	100.00%
Total Loans:		
Acceptable	85.70%	87.78%
OAEM	6.93	5.11
Substandard/doubtful/loss	7.37	7.11
	100.00%	100.00%

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

	March 31, 2013					
	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	$ 4,517	$ 15,422	$ 19,939	$ 511,515	$ 531,454	$ –
Production and intermediate-term	3,790	14,880	18,670	515,159	533,829	–
Agribusiness						
Loans to cooperatives	–	–	–	5,680	5,680	–
Processing and marketing	–	3,619	3,619	24,168	27,787	–
Farm-related business	15	–	15	7,264	7,279	–
Total agribusiness	15	3,619	3,634	37,112	40,746	–
Communication	–	–	–	9,106	9,106	–
Energy and water/waste disposal	–	–	–	2,294	2,294	–
Rural residential real estate	1,510	482	1,992	53,409	55,401	–
Total	$ 9,832	$ 34,403	$ 44,235	$ 1,128,595	$ 1,172,830	$ –

	December 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	$ 2,672	$ 11,230	$ 13,902	$ 519,560	$ 533,462	$ –
Production and intermediate-term	4,451	15,680	20,131	536,547	556,678	–
Agribusiness						
Loans to cooperatives	–	–	–	2,989	2,989	–
Processing and marketing	–	–	–	32,436	32,436	–
Farm-related business	–	–	–	6,063	6,063	–
Total agribusiness	–	–	–	41,488	41,488	–
Communication	–	–	–	9,241	9,241	–
Energy and water/waste disposal	–	–	–	2,114	2,114	–
Rural residential real estate	1,269	507	1,776	54,976	56,752	–
Total	$ 8,392	$ 27,417	$ 35,809	$ 1,163,926	$ 1,199,735	$ –

The recorded investment in a 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, 2013	December 31, 2012
Nonaccrual loans:		
Real estate mortgage	$ 23,908	$ 19,548
Production and intermediate-term	21,919	22,879
Agribusiness		
Processing and marketing	3,838	3,838
Farm-related business	16	16
Total agribusiness	3,854	3,854
Rural residential real estate	937	1,133
Total nonaccrual loans	$ 50,618	$ 47,414
Accruing restructured loans:		
Real estate mortgage	$ 352	$ 358
Production and intermediate-term	85	–
Agribusiness		
Farm-related business	651	665
Total agribusiness	651	665
Rural residential real estate	191	99
Total accruing restructured loans	$ 1,279	$ 1,122
Accruing loans 90 days or more past due:		
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 51,897	$ 48,536
Other property owned	4,392	4,252
Total nonperforming assets	$ 56,289	$ 52,788
Nonaccrual loans as a percentage of total loans	4.36%	3.99%
Nonperforming assets as a percentage of total loans and other property owned	4.83%	4.43%
Nonperforming assets as a percentage of capital	21.46%	20.61%

The following table presents information related 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, 2013	December 31, 2012
Impaired nonaccrual loans:		
Current as to principal and interest	$ 14,475	$ 16,750
Past due	36,143	30,664
Total impaired nonaccrual loans	50,618	47,414
Impaired accrual loans:		
Restructured	1,279	1,122
90 days or more past due	–	–
Total impaired accrual loans	1,279	1,122
Total impaired loans	$ 51,897	$ 48,536

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, 2013			Quarter Ended March 31, 2013	
	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	$ 11,296	$ 12,067	$ 1,376	$ 10,306	$ 30
Production and intermediate-term	13,730	17,572	2,968	12,528	36
Agribusiness					
Processing and marketing	3,767	3,836	1,919	3,437	10
Farm-related business	–	–	–	–	–
Total agribusiness	3,767	3,836	1,919	3,437	10
Rural residential real estate	278	289	62	253	1
Total	$ 29,071	$ 33,764	$ 6,325	$ 26,524	$ 77
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 12,964	$ 14,948	$ –	$ 11,830	$ 34
Production and intermediate-term	8,274	10,990	–	7,548	22
Agribusiness					
Processing and marketing	71	–	–	64	–
Farm-related business	667	668	–	608	2
Total agribusiness	738	668	–	672	2
Rural residential real estate	850	1,012	–	776	2
Total	$ 22,826	$ 27,618	$ –	$ 20,826	$ 60
Total impaired loans:					
Real estate mortgage	$ 24,260	$ 27,015	$ 1,376	$ 22,136	$ 64
Production and intermediate-term	22,004	28,562	2,968	20,076	58
Agribusiness					
Processing and marketing	3,838	3,836	1,919	3,501	10
Farm-related business	667	668	–	608	2
Total agribusiness	4,505	4,504	1,919	4,109	12
Rural residential real estate	1,128	1,301	62	1,029	3
Total	$ 51,897	$ 61,382	$ 6,325	$ 47,350	$ 137

	December 31, 2012			Year Ended December 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	$ 7,872	$ 8,755	$ 1,259	$ 8,115	$ 161
Production and intermediate-term	9,884	10,350	3,049	10,188	202
Agribusiness					
Processing and marketing	3,767	3,836	1,919	3,883	77
Farm-related business	–	–	–	–	–
Total agribusiness	3,767	3,836	1,919	3,883	77
Rural residential real estate	241	268	96	248	5
Total	$ 21,764	$ 23,209	$ 6,323	$ 22,434	$ 445
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 12,034	$ 13,666	$ –	$ 12,403	$ 246
Production and intermediate-term	12,995	17,892	–	13,395	266
Agribusiness					
Processing and marketing	71	–	–	73	1
Farm-related business	681	683	–	702	14
Total agribusiness	752	683	–	775	15
Rural residential real estate	991	1,168	–	1,022	20
Total	$ 26,772	$ 33,409	$ –	$ 27,595	$ 547
Total impaired loans:					
Real estate mortgage	$ 19,906	$ 22,421	$ 1,259	$ 20,518	$ 407
Production and intermediate-term	22,879	28,242	3,049	23,583	468
Agribusiness					
Processing and marketing	3,838	3,836	1,919	3,956	78
Farm-related business	681	683	–	702	14
Total agribusiness	4,519	4,519	1,919	4,658	92
Rural residential real estate	1,232	1,436	96	1,270	25
Total	$ 48,536	$ 56,618	$ 6,323	$ 50,029	$ 992

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 each reporting period.

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

	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, 2012	$ 1,678	$ 4,895	$ 2,006	$ 13	$ 6	$ 159	$ 8,757
Charge-offs	(33)	(126)	–	–	–	(1)	(160)
Recoveries	2	35	–	–	–	3	40
Provision for loan losses	348	(96)	(31)	(3)	–	(39)	179
Balance at March 31, 2013	$ 1,995	$ 4,708	$ 1,975	$ 10	$ 6	$ 122	$ 8,816
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
Loans individually evaluated for impairment	$ 1,376	$ 2,968	$ 1,919	$ –	$ –	$ 62	$ 6,325
Loans collectively evaluated for impairment	619	1,740	56	11	6	59	2,491
Balance at March 31, 2013	$ 1,995	$ 4,708	$ 1,975	$ 11	$ 6	$ 121	$ 8,816
Loans individually evaluated for impairment	$ 1,259	$ 3,049	$ 1,919	$ –	$ –	$ 96	$ 6,323
Loans collectively evaluated for impairment	419	1,846	87	13	6	63	2,434
Balance at December 31, 2012	$ 1,678	$ 4,895	$ 2,006	$ 13	$ 6	$ 159	$ 8,757
Recorded investment in loans outstanding:							
Loans individually evaluated for impairment	$ 24,260	$ 22,004	$ 4,505	$ –	$ –	$ 1,128	$ 51,897
Loans collectively evaluated for impairment	507,194	511,825	36,241	9,106	2,294	54,273	1,120,933
Ending balance at March 31, 2013	$ 531,454	$ 533,829	$ 40,746	$ 9,106	$ 2,294	$ 55,401	$ 1,172,830
Loans individually evaluated for impairment	$ 19,906	$ 22,879	$ 4,519	$ –	$ –	$ 1,232	$ 48,536
Loans collectively evaluated for impairment	513,556	533,799	36,969	9,241	2,114	55,520	1,151,199
Ending balance at December 31, 2012	$ 533,462	$ 556,678	$ 41,488	$ 9,241	$ 2,114	$ 56,752	$ 1,199,735

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 regarding TDRs as of the restructuring date that occurred during the periods presented.

	Three months ended March 31, 2013			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Production and intermediate-term	–	365	–	365
Total	$ –	$ 365	$ –	$ 365

	Three months ended March 31, 2013					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Production and intermediate-term	–	365	–	365	78	–
Total	$ –	$ 365	$ –	$ 365	$ 78	$ –

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)

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

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended March 31,	
	2013	2012
Defaulted troubled debt restructurings:		
Real estate mortgage	$ 266	$ –
Production and intermediate-term	1,395	–
Total	**$** 1,661	$ –

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Real estate mortgage	$ 4,172	$ 4,179	$ 3,820	$ 3,821
Production and intermediate-term	7,938	8,458	7,853	8,458
Agribusiness				
Farm-related business	651	665	–	–
Total agribusiness	651	665	–	–
Rural residential real estate	191	171	–	72
Total Loans	$ 12,952	$ 13,473	$ 11,673	$ 12,351

Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings was $14 and $16 at March 31, 2013 and December 31, 2012, respectively.

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 ,	
	2013	2012
Pension	$ 1,570	$ 1,508
401(k)	122	118
Other postretirement benefits	267	215
Total	$ 1,959	$ 1,841

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

	Actual YTD Through 3/30/13	Projected Contributions For Remainder of 2013	Projected Total Contributions 2013
Pension	$ 9	$ 5,515	$ 5,524
Other postretirement benefits	170	554	724
Total	$ 179	$ 6,069	$ 6,248

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, 2013.

Further details regarding employee benefit plans are contained in the 2012 Annual Report to Shareholders.

NOTE 5 — FAIR VALUE MEASUREMENT

Fair value is defined 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.

Accounting 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 11.09 percent of the issued stock of the Bank as of March 31, 2013 net of any reciprocal investment. As of that date, the Bank's assets totaled $27.7 billion and shareholders' equity totaled $2.4 billion. The Bank's earnings were $121 million for the first three months of 2013. In addition, the Association has an investment of $489 related to other Farm Credit institutions.

The classifications 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 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, 2013.

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

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.

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. Level 3 assets at March 31, 2013 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. 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. 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.

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. The fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. 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.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

	Standby Letters Of Credit
Balance at January 1, 2013	$ 34
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income	–
Purchases	–
Sales	–
Issuances	20
Settlements	–
Transfers in and/or out of level 3	–
Balance at March 31, 2013	$ 54

	Standby Letters Of Credit
Balance at January 1, 2012	$ 34
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income	–
Purchases	–
Sales	–
Issuances	–
Settlements	(13)
Transfers in and/or out of level 3	–
Balance at March 31, 2012	$ 21

INFORMATION ABOUT SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS.

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investment Securities

The fair values of predominantly all level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these level 3 assets.

Other Property Owned/Impaired Loans

Other property owned and impaired loans are valued using appraisals, market comparable sales, replacement costs and income and expense (cash flow) techniques. Certain unobservable inputs are used within these techniques to determine the level 3 fair value of these properties. The significant unobservable inputs are primarily sensitive only to industry, geographic and overall economic conditions, and/or specific attributes of each property.

Inputs to Valuation Techniques

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.

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.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value		Valuation Technique(s)	Unobservable Input	Range
Mission Related Investments	$	3,055	Discounted cash flow	Risk adjusted spread	2.00% - 8.25%
Impaired loans and other property owned	$	50,189	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
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility

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:

	At or for the Three Months Ended March 31, 2013					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 776	$ 776	$ –	$ –	$ 776	
Recurring Assets	$ 776	$ 776	$ –	$ –	$ 776	
Liabilities:						
Standby letters of credit	$ 54	$ –	$ –	$ 54	$ 54	
Recurring Liabilities	$ 54	$ –	$ –	$ 54	$ 54	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 45,572	$ –	$ –	$ 45,572	$ 45,572	$ (122)
Other property owned	4,392	–	–	4,617	4,617	(30)
Nonrecurring Assets	$ 49,964	$ –	$ –	$ 50,189	$ 50,189	$ (152)
Other Financial Instruments						
Assets:						
Cash	$ 2,535	$ 2,535	$ –	$ –	$ 2,535	
Investment securities, held-to-maturity	2,773	–	–	3,055	3,055	
Loans	1,111,981	–	–	1,122,130	1,122,130	
Other investments	11,780	–	–	11,996	11,996	
Other Assets	$ 1,129,069	$ 2,535	$ –	$ 1,137,181	$ 1,139,716	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 963,357	$ –	$ –	$ 965,055	$ 965,055	
Other Liabilities	$ 963,357	$ –	$ –	$ 965,055	$ 965,055	

	At or for the Year Ended December 31, 2012					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 755	$ 755	$ –	$ –	$ 755	
Recurring Assets	$ 755	$ 755	$ –	$ –	$ 755	
Liabilities:						
Standby letters of credit	$ 34	$ –	$ –	$ 34	$ 34	
Recurring Liabilities	$ 34	$ –	$ –	$ 34	$ 34	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 42,213	$ –	$ –	$ 42,213	$ 42,213	$ (6,958)
Other property owned	4,252	–	–	4,465	4,465	(2,208)
Nonrecurring Assets	$ 46,465	$ –	$ –	$ 46,678	$ 46,678	$ (9,166)
Other Financial Instruments						
Assets:						
Cash	$ 2,246	$ 2,246	$ –	$ –	$ 2,246	
Investment securities, held-to-maturity	2,791	–	–	3,109	3,109	
Loans	1,144,447	–	–	1,155,278	1,155,278	
Other investments	23,669	–	–	24,074	24,074	
Other Assets	$ 1,173,153	$ 2,246	$ –	$ 1,182,461	$ 1,184,707	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,023,213	$ –	$ –	$ 1,025,404	$ 1,025,404	
Other Liabilities	$ 1,023,213	$ –	$ –	$ 1,025,404	$ 1,025,404	

NOTE 6 - ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in Accumulated Other Comprehensive income by Component *(a)*

		Employee Benefit Plans
Balance at December 31, 2012	$	(1,075)
Other comprehensive income before reclassifications		–
Amounts reclassified from AOCI		120
Net current period other comprehensive income		120
Balance at March 31, 2013	$	(955)
Balance at December 31, 2011	$	(1,066)
Other comprehensive income before reclassifications		(41)
Amounts reclassified from AOCI		84
Net current period other comprehensive income		43
Balance at March 31, 2012	$	(1,023)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	For the three months ended March 31,				
	2013		2012		Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$	(120)	$	(84)	See footnote 4.
Net amounts reclassified	$	(120)	$	(84)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

NOTE 7 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined there are none requiring disclosure through May 9, 2013, which is the date the financial statements were issued.