



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial position and consolidated results of operations of AgHeritage Farm Credit Services, ACA and its subsidiaries. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations. Our 2008 annual report should also be read for a description of our organization, operations and significant accounting policies.

AgriBank, FCB's financial condition and results of operations materially affect shareholders' investment in AgHeritage Farm Credit Services, ACA. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report contact us at 119 East Third Street, Suite 200, Little Rock, Arkansas 72201, (800) 299-2290, or through the website at www.agheritagefcs.com. You may also contact AgriBank, FCB at 375 Jackson Street, St. Paul, Minnesota 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank, FCB's website at www.agribank.com.

Loan Portfolio

Loan volume totaled \$720.0 million at September 30, 2009, a \$125.8 million increase from December 31, 2008. The increase in the mortgage portfolio since year end 2008 is due to increased mortgage activity in our retail portfolio. The increase in the commercial loan portfolio since year end 2008 is due to increases in IT new money and increases in operating loan balances due to seasonal draws.

The following table summarizes risk assets (accruing volume includes accrued interest receivable) and delinquency information (in thousands):

	September 30	December 31
As of:	2009	2008
Loans:		
Accruing restructured	\$ --	\$ --
Past due 90 days or more still accruing	358	1009
Nonaccrual	10,404	13,497
Total risk loans	10,762	14,506
Other property owned	390	--
Total risk assets	\$ 11,152	\$ 14,506
Risk loans as a % of total loans	1.5%	2.4%
Total delinquencies as a % of total loans	0.1%	0.6%

Our risk assets have decreased from December 31, 2008, and remain at acceptable levels.

Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection.

Nonaccrual loans decreased due to the transfer of certain ethanol loans to acquired property. As of September 30, 2009, the majority of the ethanol assets were sold resulting in an overall decline in risk assets. Total risk loans as a percentage of total loans remains well within our established risk management guidelines. The volume of nonaccrual

loans remained at an acceptable level at September 30, 2009, and represented 1.4% of our total portfolio. At September 30, 2009, 95.8% of our nonaccrual loans were current.

In the second quarter, we acquired a portion of our nonaccrual volume, representing our interest in certain ethanol loans. The acquired properties are held in limited liability corporations formed by the lenders for that purpose.

The credit quality of our portfolio has improved since December 31, 2008. This improvement is primarily due to adverse ethanol assets leaving the portfolio. Adversely classified assets decreased from 4.5% of the portfolio at December 31, 2008, to 3.0% of the portfolio at September 30, 2009. Adversely classified assets are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In some circumstances, we use various governmental guarantee programs to reduce the risk of loss. At September 30, 2009, \$36.9 million of our loans were, to some level, guaranteed under governmental programs.

Following the financial market upheaval during the second half of 2008, financial markets improved during 2009. Policy actions of the Federal Reserve and US Treasury contributed to increased liquidity and stabilization of financial markets. The treasury yield curve steepened, swap spreads tightened and stabilized, and Farm Credit bond spreads to both treasuries and the swap curve improved. During 2009, AgriBank has been able to issue debt at all desired maturities, including over \$3.7 billion of fixed rate debt with maturities greater than or equal to seven years. This enabled AgriBank to maintain adequate liquidity and a conservative asset/liability risk profile, while continuing to offer a full array of fixed-rate products.

Commodity prices remain higher relative to historical averages, but generally lower compared to the prior year. Input costs for crop production have declined compared to the prior year. Generally, the crops in our area were delayed due to a wet planting season. In addition to the delayed planting, we are now experiencing a very wet fall harvest period. The delayed crops and wet harvest will likely cause lower average yields and more volatile earnings. It is expected that cash flow margins in our row crop area will generally be lower from a year ago. There continues to be stress in our poultry portfolio. We are seeing improvements, but the market remains fragile. We expect some impact to our contract poultry growers as integrator companies manage to lower production levels. The timber market is also seeing stress due to the economic recession and its impact on construction and housing demand. We could see some decline in credit quality from the crop, poultry and timber segments. Land prices in our market are generally stable to slightly higher.

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, portfolio quality and current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

	September 30 2009	December 31 2008
Allowance as a percentage of:		
Loans	0.2%	0.1%
Nonaccrual loans	12.7%	3.5%
Total risk loans	12.3%	3.2%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2009.

Results of Operations

Net income for the nine months ended September 30, 2009 totaled \$8.6 million compared to \$8.6 million for the same period of 2008. The following table illustrates profitability information:

As of September 30	2009	2008
Return on average assets	1.7%	1.7%
Return on average members' equity	9.3%	10.1%

The following table summarizes the changes in components of net income for the nine months ended September 30, 2009 compared to September 30, 2008 (in thousands):

Increase (decrease) in net income	2009 vs 2008
Net interest income	\$ 696
Provision for loan losses	(1,603)
Patronage income	707
Financially related services and miscellaneous income, net	39
Operating expenses	92
Provision for income taxes	92
Total change in net income	\$ 23

Net interest income was \$14.4 million for the nine months ended September 30, 2009. The following table quantifies changes in net interest income for the nine months ended September 30, 2009 compared to September 30, 2008 (in thousands):

Change in net interest income	2009 vs 2008
Changes in volume	(\$ 37)
Changes in rates	766
Changes in nonaccrual income and other	(33)
Net change	\$ 696

The change in the provision for loan losses is related to our estimate of losses in our portfolio, specifically related to ethanol and poultry credits. The increase in patronage income is primarily related to patronage received on participations sold to AgriBank.

Changes in our return on average assets and return on average members' equity are directly related to the changes in income discussed above, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Capital section as follows.

Funding, Liquidity and Capital

We borrow from AgriBank, FCB in the form of a line of credit. Our promissory note was renewed for \$740.0 million with a maturity date of May 31, 2010. The note will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Total members' equity increased \$6.9 million from December 31, 2008, due to net income for the period and an increase in capital stock and participation certificates partially offset by patronage distribution accruals.

Farm Credit Administration Regulations require us to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7% and a core surplus ratio of at least 3.5%. The calculation of these ratios according to Farm Credit Administration Regulations is discussed below:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At September 30, 2009, our ratio was 14.6%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At September 30, 2009, our ratio was 14.3%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank, FCB divided by average risk-adjusted assets. At September 30, 2009, our ratio was 14.3%.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained above and the changes in assets as further discussed in the Loan Portfolio section.

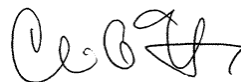
The undersigned certify they have reviewed AgHeritage Farm Credit Services, ACA's September 30, 2009 quarterly report and it has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate and complete to the best of our knowledge and belief.



Michael D. Taylor
Chairperson of the Board
AgHeritage Farm Credit Services, ACA



Greg Cole
Chief Executive Officer
AgHeritage Farm Credit Services, ACA



Chris A. Hanner
Controller
AgHeritage Farm Credit Services, ACA

November 9, 2009

CONSOLIDATED STATEMENT OF CONDITION

AgHeritage Farm Credit Services, ACA

(Dollars in thousands)

(Unaudited)

	September 30 2009	December 31 2008
ASSETS		
Loans	\$ 719,957	\$594,240
Allowance for loan losses	1,321	469
Net loans	718,636	593,771
Investment in AgriBank	24,271	22,519
Investment securities	24,437	19,652
Accrued interest receivable	13,010	11,466
Premises and equipment, net	2,214	2,270
Other property owned	390	--
Other assets	2,393	2,595
Total assets	\$ 785,351	\$652,273
LIABILITIES		
Note payable to AgriBank	\$ 650,888	\$522,804
Accrued interest payable	3,806	4,683
Net deferred income tax liability	193	2,500
Patronage distribution payable	1,875	437
Other liabilities	2,144	2,288
Total liabilities	658,906	532,712
MEMBERS' EQUITY		
Protected members' equity	4	4
Capital stock and participation certificates	2,506	2,348
Unallocated surplus	123,935	117,209
Total members' equity	126,445	119,561
Total liabilities and members' equity	\$ 785,351	\$652,273

CONSOLIDATED STATEMENT OF INCOME

AgHeritage Farm Credit Services, ACA

(Dollars in thousands)

(Unaudited)

Period ended September 30	Three Months		Nine Months	
	2009	2008	2009	2008
Interest income	\$ 9,269	\$9,500	\$ 25,372	\$29,917
Interest expense	3,806	4,895	10,990	16,231
Net interest income	5,463	4,605	14,382	13,686
Provision for loan losses	284	(110)	1,512	(91)
Net interest income after provision for loan losses	5,179	4,715	12,870	13,777
Other income				
Patronage income	825	913	2,658	1,951
Financially related services and miscellaneous income, net	129	145	538	499
Total other income	954	1,058	3,196	2,450
Operating expense				
Salaries and employee benefits	1,225	1,339	3,901	4,301
Other operating	1,017	918	3,217	2,909
Total operating expenses	2,242	2,257	7,118	7,210
Income before income taxes	3,891	3,516	8,948	9,017
Provision for income taxes	95	334	353	445
Net income	\$ 3,796	\$3,182	\$ 8,595	\$8,572

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

AgHeritage Farm Credit Services, ACA

(Dollars in thousands)

(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2007	\$4	\$2,182	\$108,109	\$110,295
Net income	--	--	8,572	8,572
Earnings reserved for patronage	--	--	(1,719)	(1,719)
Capital stock/participation certificates	--	294	--	294
Capital stock/participation certificates	--	(143)	--	(143)
Balance at September 30, 2008	\$4	\$2,333	\$114,962	\$117,299
Balance at December 31, 2008	\$4	\$2,348	\$117,209	\$119,561
Net income	--	--	8,595	8,595
Earnings reserved for patronage	--	--	(1,869)	(1,869)
Capital stock/participation certificates	--	311	--	311
Capital stock/participation certificates	--	(153)	--	(153)
Balance at September 30, 2009	\$ 4	\$ 2,506	\$ 123,935	\$ 126,445

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Organization and Significant Accounting Policies

Our 2008 annual report contains a description of our organization and operations, significant accounting policies followed, and financial condition and results of operations as of and for the year ended December 31, 2008. These unaudited third quarter 2009 consolidated financial statements should be read in conjunction with the 2008 annual report.

The accompanying consolidated financial statements contain all information necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and the prevailing practices within the financial services industry. The results of the nine months ended September 30, 2009, are not necessarily indicative of the results to be expected for the year ending December 31, 2009.

The consolidated financial statements present the consolidated financial results of AgHeritage Farm Credit Services, ACA (the parent) and AgHeritage Farm Credit Services, FLCA and AgHeritage Farm Credit Services, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recent Accounting Developments

Effective January 1, 2009, we adopted accounting guidance for fair value measurements of nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures, but did not have an impact on our financial condition or results of operations.

In April 2009, the FASB issued new guidance on investment fair value measurements and impairments. The new guidance is effective for interim periods ending after June 15, 2009, with early application permitted for periods ending after March 15, 2009. We adopted the guidance during the second quarter of 2009. The impact of adoption resulted in additional investment disclosures, but did not have an impact on our financial condition or results of operations.

In May 2009, the FASB issued guidance, "Subsequent Events," which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Under this Standard, subsequent events that arise from conditions that existed at the date of the balance sheet are recognized in the financial statements, while subsequent events that arise from conditions that did not exist as of the balance sheet date are not recognized in the financial statements. This Standard, which includes a required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009.

NOTE 2: Loans and Investment Securities

The following table presents information concerning risk loans (in thousands):

As of September 30	2009	2008
Volume with specific reserves	\$ 1,153	\$38
Volume without specific reserves	9,609	707
Total risk loans	\$ 10,762	\$745
Total specific reserves	\$ 646	\$38
For the nine months ended September 30	2009	2008
Income on accrual risk loans	\$ 51	\$6
Income on nonaccrual loans	16	57
Total income on risk loans	\$ 67	\$63
Average recorded investment	\$ 13,000	\$557

The increase in risk loans from the same period in the prior year is due to the classification of certain ethanol and poultry credits.

We held investments of \$24.4 million at September 30, 2009, and \$17.4 million at September 30, 2008, consisting of investment securities made up of a portion of loans guaranteed by the Small Business Administration. The securities have been classified as held-to-maturity.

The following table presents the book value, unrealized gain/loss and fair value of the investment securities (in thousands).

As of September 30	2009	2008
Book value	\$ 24,437	\$ 17,428
Gross unrealized gains	1,324	--
Gross unrealized losses	--	(1,342)
Estimated fair value	\$ 25,761	\$ 16,086
Weighted Average Yield	1.5%	4.0%

Investment income is recorded in interest income and totaled \$256 thousand for the period ended September 30, 2009, and \$585 thousand for the period ended September 30, 2008.

NOTE 3: Allowance for Loan Losses

A summary of changes in the allowance for loan losses follows (in thousands):

Nine months ended September 30	2009	2008
Balance at beginning of year	\$ 469	\$352
Provision for loan losses	1,512	(9)
Loan recoveries	5	8
Loan chargeoffs	(665)	(25)
Balance at end of period	\$ 1,321	\$244

During the first three quarters of 2009, we had a sizeable specific allowance provision related to certain ethanol credits. We also had a general provision due to industry stresses in the ethanol and poultry sectors.

NOTE 4: Contingencies

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which are not reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any

such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

NOTE 5: Fair Value Measurements

The FASB guidance on “Fair Value Measurements and Disclosures” defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. The guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. See Notes 2 and 13 to the 2008 Annual Report to Stockholders for a more complete description.

We do not have any assets or liabilities measured at fair value on a recurring basis. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. The following table provides information on assets measured at fair value on a nonrecurring basis at September 30, 2009 (in thousands):

	Fair Value Measurement Using			Total Fair Value	Total Losses
	Level 1	Level 2	Level 3		
Assets:					
Loans (1)	\$ --	\$789	\$ --	\$789	(\$578)
Other property owned (2)	--	--	406	406	--

(1) Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. The fair value measurement would fall under level 2 of the hierarchy if the process uses independent appraisals and other market-based information. The fair value measurement would fall under level 3 of the hierarchy if the process 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 real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

(2) Represents the fair value and related losses of foreclosed assets that were measured at fair value.

NOTE 6: Subsequent Events

We have evaluated subsequent events through November 9, 2009, which is the date the financial statements were issued.