



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Midsouth, ACA and its subsidiaries. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations. You should also read our 2008 annual report 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 Farm Credit Midsouth, 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 3000 Prosperity Drive, Jonesboro, Arkansas 72404, (870) 932-2288 or through our website at www.farmcreditmidsouth.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 \$492.8 million at March 31, 2009, a \$66.4 million decrease from December 31, 2008. The change in mortgage volume is primarily due to the sale of a participation interest in real estate loans, as discussed below. Commercial volume has decreased \$22.7 million due to repayments exceeding seasonal credit needs for the first quarter of 2009.

In March 2009, we sold \$44.6 million of a participation interest in a pool of real estate loans to AgriBank, FCB (AgriBank). AgriBank has established a separate patronage pool for these assets. Any patronage declared on these pools is solely at the discretion of the AgriBank Board of Directors. AgriBank expects to pay patronage in an amount that approximates the net earnings of these loans. As required by our agreement with AgriBank, we purchased additional AgriBank common stock equal to 8% of the pool assets. The sale of these assets was designed to improve our regulatory capital measures and increase AgriBank's net collateral ratio.

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

As of	March 31 2009	December 31 2008
Loans:		
Nonaccrual	\$1,116	\$1,350
Accruing restructured	--	--
Past due 90 days or more still accruing	108	--
Total risk loans	1,224	1,350
Other property owned	10	10
Total risk assets	\$1,234	\$1,360
Risk loans as a percentage of total loans	0.2%	0.2%
Total delinquencies as a percentage of total loans	2.4%	0.2%

Our risk assets have not changed significantly 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.

Total risk loans as a percentage of total loans remains well within our established risk management guidelines. Nonaccrual loans remain consistent with December 31, 2008 levels. The volume of nonaccrual loans remained at an acceptable level at March 31, 2009, and represented 0.2% of our total portfolio. At March 31, 2009, 26.8% of our nonaccrual loans were current.

As a result of continued stress in the ethanol industry, the credit quality of our portfolio has declined from December 31, 2008. Adversely classified assets increased from 0.3% of the portfolio at December 31, 2008, to 1.4% of the portfolio at March 31, 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 March 31, 2009, \$ 2.5 million of our loans were, to some level, guaranteed under these governmental programs.

The 2009 crop year is expected to be positive due to decreases in farm input costs compared to the 2008 crop year. Many of our customers have already purchased fuel for the upcoming season. Winter wheat plantings are down significantly from 2008 levels due to increased fertilizer cost last fall, but the crop that is planted is looking good. Most of our territory is heavily saturated with moisture at this time, delaying plantings of the 2009 corn, rice and early maturing soybean crops, but we are still well within the optimum window of opportunity.

The economy is deep in a recession with unemployment at record highs and major corporations struggling to keep from bankruptcy. The federal government has had to come to the assistance of many organizations, including Freddie Mac and Fannie Mae. While our territory is not immune to these issues, Eastern Arkansas to this point has weathered the situation better than other areas of the state and nation.

The System continues to fulfill its mission as the reliable source of debt capital for farmers, ranchers and other rural businesses. During the second half of 2008, the culmination of negative economic developments in the global financial markets created a high level of volatility and uncertainty among global financial institutions in general. This volatility negatively impacted the System's ability to issue debt in the preferred maturities and structures that have traditionally been used to fund our loan portfolios. Throughout this period we continued to have adequate access to funding. Access to funding improved during the first quarter of 2009 and the System has been able to issue debt with a broad enough range of maturities and structures to allow the AgriBank District to continue to offer our complete array of loan products including loan products with maturities in excess of five years. Because of the System's sound financial condition, we expect to continue to issue debt securities as necessary to meet our funding needs. However, spreads relative to Treasuries and swap rates are expected to remain at higher levels than our historical experience.

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:

	March 31 2009	December 31 2008
Allowance as a percentage of:		
Loans	0.3%	0.2%
Nonaccrual loans	115.8%	78.0%
Total risk loans	105.6%	78.0%

The increase in allowance percentages reflect the impact of additional allowance added during the first quarter of 2009 as a result of increasing adverse loan volume, primarily within the ethanol industry. In our opinion, the allowance for loan losses was reasonable in relation to the risk in the loan portfolio at March 31, 2009.

Results of Operations

Net income for the three months ended March 31, 2009 totaled \$2.2 million compared to \$2.8 million for the same period of 2008. The following table illustrates profitability information:

As of March 31	2009	2008
Return on average assets	1.6%	2.2%
Return on average members' equity	7.8%	10.8%

The following table summarizes the changes in components of net income for the three months ended March 31, 2009 compared to March 31, 2008 (in thousands):

Increase in net income	2009 vs 2008
Net interest income	\$ 271
Provision for loan losses	(585)
Patronage income	(26)
Financially related services and miscellaneous income, net	70
Operating expenses	(379)
Provision for income taxes	--
Total change in net income	<u>(\$ 649)</u>

Net interest income was \$4.1 million for the three months ended March 31, 2009. The following table quantifies changes in net interest income for the three months ended March 31, 2009 compared to March 31, 2008 (in thousands):

Change in net interest income	2009 vs 2008
Changes in volume	\$ 260
Changes in rates	37
Changes in nonaccrual income and other	(26)
Net change	<u>\$ 271</u>

The change in the provision for loan losses is related to provision for loan losses recorded in the first quarter of 2009 as a result of increasing adverse assets. The decrease in patronage income is related to a decrease in the patronage we receive on our note payable to AgriBank due to a decrease in loan volume partially offset by \$52 thousand patronage received on participations sold to AgriBank. The increase in financially related services and miscellaneous income, net is primarily due to increases in crop hail insurance and secondary marketing fee income. The operating expense increases were primarily related to increases in salaries and benefits, purchased services, and Farm Credit Insurance Fund expenses.

We originate rural home loans for resale into the secondary market. We sold loans through the secondary market totaling \$1.3 million through March 31, 2009 compared to \$424 thousand through March 31, 2008. The fee income from this activity totaled \$15.9 thousand for the three month period ended March 31, 2009 compared to \$5 thousand for the three month period ended March 31, 2008.

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 below.

Funding, Liquidity and Capital

We borrow from AgriBank, FCB in the form of a line of credit. Our promissory note was renewed effective April 7, 2009 for \$750 million with a maturity date of April 30, 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 \$1.2 million from December 31, 2008, due to net income for the period partially offset by patronage distribution accruals and a slight decrease in capital stock and participation certificates.

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:

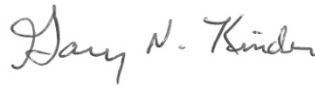
- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At March 31, 2009, our ratio was 16.5%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At March 31, 2009, our ratio was 16.2%.
- 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 March 31, 2009, our ratio was 16.2%.

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.

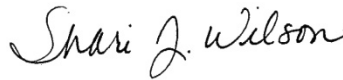
The undersigned certify they have reviewed Farm Credit Midsouth, ACA's March 31, 2009 quarterly report and it has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Carl A. Loewer
Chairperson of the Board
Farm Credit Midsouth, ACA



Gary Kinder
President and Chief Executive Officer
Farm Credit Midsouth, ACA



Shari Wilson
Chief Financial Officer
Farm Credit Midsouth, ACA

April 30, 2009

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Midsouth, ACA

(Dollars in thousands)

(Unaudited)

	March 31 2009	December 31 2008
ASSETS		
Loans	\$492,762	\$559,177
Allowance for loan losses	1,292	1,053
Net loans	491,470	558,124
Investment in AgriBank, FCB	14,333	13,270
Accrued interest receivable	7,714	14,481
Premises and equipment, net	3,765	3,806
Other property owned	10	10
Assets held for lease, net	1,401	972
Other assets	2,132	2,287
Total assets	\$520,825	\$592,950
LIABILITIES		
Note payable to AgriBank, FCB	\$403,161	\$470,726
Accrued interest payable	3,134	4,590
Patronage distribution payable	1,000	4,000
Net deferred income tax liability	211	264
Other liabilities	1,890	3,119
Total liabilities	409,396	482,699
MEMBERS' EQUITY		
Protected members' equity	5	6
Capital stock and participation certificates	1,834	1,834
Unallocated surplus	109,590	108,411
Total members' equity	111,429	110,251
Total liabilities and members' equity	\$520,825	\$592,950

CONSOLIDATED STATEMENT OF INCOME

Farm Credit Midsouth, ACA

(Dollars in thousands)

(Unaudited)

Period ended March 31	2009	2008
Interest income	\$7,277	\$8,463
Interest expense	3,134	4,591
Net interest income	4,143	3,872
Provision for (reversal of) loan losses	240	(345)
Net interest income after provision for loan losses	3,903	4,217
Other income		
Patronage income	270	296
Financially related services and miscellaneous income, net	309	239
Total other income	579	535
Operating expense		
Salaries and employee benefits	1,415	1,182
Other operating	874	728
Total operating expense	2,289	1,910
Income before income taxes	2,193	2,842
Provision for income taxes	14	14
Net income	\$2,179	\$2,828

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Farm Credit Midsouth, ACA

(Dollars in thousands)

(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Surplus	Total Members' Equity
Balance at December 31, 2007	\$6	\$1,760	\$101,681	\$103,447
Net income			2,828	2,828
Earnings reserved for patronage distribution			(1,019)	(1,019)
Capital stock/participation certificates issued		77		77
Capital stock/participation certificates retired	--	(52)		(52)
Balance at March 31, 2008	\$6	\$1,785	\$103,490	\$105,281
Balance at December 31, 2008	\$6	\$1,834	\$108,411	\$110,251
Net income			2,179	2,179
Earnings reserved for patronage distribution			(1,000)	(1,000)
Capital stock/participation certificates issued		59		59
Capital stock/participation certificates retired	(1)	(59)		(60)
Balance at March 31, 2009	\$5	\$1,834	\$109,590	\$111,429

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. You should read these unaudited first quarter 2009 consolidated financial statements 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 three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the year ended December 31, 2009.

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

Recent Accounting Developments

Effective January 1, 2009, we adopted FSP No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for 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.

NOTE 2: Allowance for Loan Losses

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

Three months ended March 31	2009	2008
Balance at beginning of year	\$1,053	\$944
Provision for (reversal of) loan losses	240	(345)
Loan recoveries	--	--
Loan chargeoffs	(1)	(1)
Balance at end of period	\$1,292	\$598

The increase in allowance percentages reflect the impact of additional allowance added during the first quarter of 2009 as a result of increasing adverse loan volume, primarily within the ethanol industry.

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

As of March 31	2009	2008
Volume with specific reserves	\$ 26	\$ --
Volume without specific reserves	1,198	444
Total risk loans	\$ 1,224	\$ 444
Total specific reserves	\$ 7	\$ --

The increase in risk loans was primarily from the transfer of two accounts involved in wheat and rice markets to nonaccrual status during 2008.

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

For the three months ended March 31	2009	2008
Income on accrual risk loans	\$ --	\$1
Income on nonaccrual loans	9	13
Total income on risk loans	\$9	\$14
Average recorded investment	\$1,287	\$574

NOTE 3: 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 4: Fair Value Measurements

SFAS No. 157 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. See Note 2 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. Assets measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy levels are summarized below (in thousands):

	Fair Value Measurement Using			Total Fair Value	Total Losses
	Level 1	Level 2	Level 3		
Assets:					
Loans *	\$0	\$19	\$0	\$19	\$7
Other property owned	--	10	--	10	--

*Represents the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying real estate collateral. The fair value market measurement process uses independent appraisals and other market-based information. As a result, these fair value measurements fall within Level 2 of the hierarchy. However, in certain cases it may require 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 real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Valuation Techniques

As more fully discussed in Note 2 to the 2008 Annual Report to Stockholders, SFAS No. 157 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For a more complete description of valuation techniques, see Note 13 to the 2008 Annual Report. The following represents a brief summary of the valuation technique used for other property owned.

Other Property Owned: Other property owned is generally classified as Level 2. The fair value is based upon the collateral less estimated costs to sell.