



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 \$589.0 million at June 30, 2009, a \$29.8 million increase from December 31, 2008. There has been a decline in mortgage volume of \$27.0 million primarily due to the sale of a participation interest in real estate loans, as discussed below. Commercial volume has increased \$56.8 million due to the seasonal needs of farmers, new term business and new lines of credit.

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	June 30 2009	December 31 2008
Loans:		
Nonaccrual	\$3,720	\$1,350
Accruing restructured	--	--
Past due 90 days or more still accruing	--	--
Total risk loans	3,720	1,350
Other property owned	10	10
Total risk assets	\$3,730	\$1,360
Risk loans as a percentage of total loans	0.6%	0.2%
Total delinquencies as a percentage of total loans	1.6%	0.2%

Total risk assets increased during the first half of 2009 primarily due to the transfer of four accounts involved in rice, soybeans and crop planting operations to nonaccrual status during the second quarter.

Despite the increase in nonaccrual loans, 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 June 30, 2009, and represented 0.6% of our total portfolio. At June 30, 2009, 19.7% of our nonaccrual loans were current.

The credit quality of our portfolio has declined from December 31, 2008 primarily due to the increase in nonaccrual loans as discussed above and continued stress in the ethanol industry. Adversely classified assets increased from 0.3% of the portfolio at December 31, 2008, to 1.2% of the portfolio at June 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 June 30, 2009, \$6.2 million of our loans were, to some level, guaranteed under these governmental programs.

The spring has been unusually wet and cool causing delays in planting. In some cases severe storms have caused some replanting to occur. Moisture levels during the month of May were the highest seen in over 10 years for most of the association territory. Temperatures have been cooler than normal for most of the area.

Following the financial market upheaval of the second half of 2008, financial markets improved during the first half of 2009. Policy actions of the Federal Reserve and U.S. Treasury contributed to increased liquidity and stabilization of financial markets. The treasury yield curve steepened, swap spreads tightened and stabilized, and Farm Credit bond cost spreads to both treasuries and the swap curve improved. During the first half of 2009, AgriBank was able to issue debt at all desired maturities, including over \$3 billion of 7-20 year bonds. This enabled AgriBank to maintain adequate liquidity and a narrow asset/liability risk profile, while continuing to offer a full array of fixed-rate products.

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:

	June 30 2009	December 31 2008
Allowance as a percentage of:		
Loans	0.3%	0.2%
Nonaccrual loans	48.5%	78.0%
Total risk loans	48.5%	78.0%

The decreases in the allowance percentage for nonaccrual and total risk loans reflect the increase in nonaccrual loans as previously discussed. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2009.

Results of Operations

Net income for the six months ended June 30, 2009 totaled \$4.8 million compared to \$5.4 million for the same period of 2008. The following table illustrates profitability information:

As of June 30	2009	2008
Return on average assets	1.7%	2.0%
Return on average members' equity	8.5%	10.2%

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

Increase in net income	2009 vs 2008
Net interest income	\$713
Provision for loan losses	(964)
Patronage income	76
Financially related services and miscellaneous income, net	210
Operating expenses	(640)
Provision for income taxes	--
Total change in net income	(\$605)

Net interest income was \$8.6 million for the six months ended June 30, 2009. The following table quantifies changes in net interest income for the six months ended June 30, 2009 compared to June 30, 2008 (in thousands):

Change in net interest income	2009 vs 2008
Changes in volume	\$200
Changes in rates	491
Changes in nonaccrual income and other	22
Net change	\$713

The change in the provision for loan losses is related to provision for loan losses recorded in the first six months of 2009 as a result of the increase in nonaccrual loans as previously discussed and continued stress in the ethanol industry. The increase in patronage income is related to \$278 thousand patronage received on participations sold to AgriBank partially offset by less patronage received based on our note payable due to a reduction of the patronage rate. The increase in financially related services and miscellaneous income, net is primarily due to increases in crop hail and multi-peril crop insurance income. The operating expense increases were primarily related to increases in salaries and benefits 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 \$3.3 million through June 30, 2009 compared to \$1.8 million through June 30, 2008. The fee income from this activity totaled \$31.9 thousand for the six month period ended June 30, 2009 compared to \$19.0 thousand for the six month period ended June 30, 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 \$2.8 million from December 31, 2008, due to net income for the period partially offset by patronage distribution accruals and an increase 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 June 30, 2009, our ratio was 16.0%.
- 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 June 30, 2009, our ratio was 15.7%.
- 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 June 30, 2009, our ratio was 15.7%.

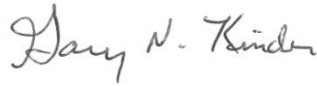
The capital adequacy ratios are directly impacted by the changes in capital as more fully explained above and the changes in assets as further discussed in the Loan Portfolio section.

The undersigned certify they have reviewed Farm Credit Midsouth, ACA's June 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.

Subsequent events have been evaluated through August 7, 2009, which is the date the financial statements were issued.



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

August 7, 2009

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Midsouth, ACA

(Dollars in thousands)

(Unaudited)

	June 30 2009	December 31 2008
ASSETS		
Loans	\$588,997	\$559,177
Allowance for loan losses	1,803	1,053
Net loans	587,194	558,124
Investment in AgriBank, FCB	14,773	13,270
Accrued interest receivable	10,195	14,481
Premises and equipment, net	3,716	3,806
Other property owned	10	10
Assets held for lease, net	1,634	972
Other assets	2,365	2,287
Total assets	\$619,887	\$592,950
LIABILITIES		
Note payable to AgriBank, FCB	\$499,574	\$470,726
Accrued interest payable	2,941	4,590
Patronage distribution payable	2,000	4,000
Net deferred income tax liability	255	264
Other liabilities	2,045	3,119
Total liabilities	506,815	482,699
MEMBERS' EQUITY		
Protected members' equity	5	6
Capital stock and participation certificates	1,890	1,834
Unallocated surplus	111,177	108,411
Total members' equity	113,072	110,251
Total liabilities and members' equity	\$619,887	\$592,950

CONSOLIDATED STATEMENT OF INCOME

Farm Credit Midsouth, ACA

(Dollars in thousands)

(Unaudited)

Period ended June 30	Three Months		Six Months	
	2009	2008	2009	2008
Interest income	\$7,418	\$8,529	\$14,695	\$16,992
Interest expense	2,941	4,494	6,075	9,085
Net interest income	4,477	4,035	8,620	7,907
Provision for (reversal of) loan losses	497	118	737	(227)
Net interest income after provision for loan losses	3,980	3,917	7,883	8,134
Other income				
Patronage income	450	348	720	644
Financially related services and miscellaneous income, net	299	159	608	398
Total other income	749	507	1,328	1,042
Operating expense				
Salaries and employee benefits	1,322	1,079	2,737	2,261
Other operating	807	789	1,681	1,517
Total operating expense	2,129	1,868	4,418	3,778
Income before income taxes	2,600	2,556	4,793	5,398
Provision for income taxes	13	13	27	27
Net income	\$2,587	\$2,543	\$4,766	\$5,371

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			5,371	5,371
Earnings reserved for patronage distribution			(2,012)	(2,012)
Capital stock/participation certificates issued		146		146
Capital stock/participation certificates retired	--	(79)		(79)
Balance at June 30, 2008	\$6	\$1,827	\$105,040	\$106,873
Balance at December 31, 2008	\$6	\$1,834	\$108,411	\$110,251
Net income			4,766	4,766
Earnings reserved for patronage distribution			(2,000)	(2,000)
Capital stock/participation certificates issued		136		136
Capital stock/participation certificates retired	(1)	(80)		(81)
Balance at June 30, 2009	\$5	\$1,890	\$111,177	\$113,072

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 second 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 six months ended June 30, 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.

In May 2009, the FASB issued SFAS No. 165, "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

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

As of June 30	2009	2008
Volume with specific reserves	\$439	\$ --
Volume without specific reserves	3,281	326
Total risk loans	\$3,720	\$326
Total specific reserves	\$171	\$ --
For the six months ended June 30	2009	2008
Income on accrual risk loans	\$9	\$1
Income on nonaccrual loans	24	12
Total income on risk loans	\$33	\$13
Average recorded investment	\$2,101	\$491

The increase in risk loans primarily reflects the transfer of four accounts involved in rice, soybeans and crop planting operations to nonaccrual status during the second quarter of 2009.

NOTE 3: Allowance for Loan Losses

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

Six months ended June 30	2009	2008
Balance at beginning of year	\$1,053	\$944
Provision for (reversal of) loan losses	737	(227)
Loan recoveries	14	43
Loan chargeoffs	(1)	(1)
Balance at end of period	\$1,803	\$759

The change in allowance primarily reflects the impact of provision expense incurred during the first six months of 2009 as a result of increased nonaccrual loans as previously discussed and continued stress within the ethanol industry.

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

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. The Statement 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 that were still held at June 30, 2009 (in thousands):

	Fair Value Measurement Using			Total Fair Value	Total Gains (Losses)
	Level 1	Level 2	Level 3		
Assets:					
Loans (1)	--	\$374	--	\$374	(\$165)
Other property owned (2)	--	--	10	10	--

(1) Represents the carrying amount and related write-downs of loans for which adjustments are based on the appraised value of the 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 many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated

costs to sell, is less than the principal balance of the loan, a specific reserve is established.

(2) Represents the fair value and related losses of foreclosed assets that were measured at fair value subsequent to their initial classification as other property owned.