



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial position and consolidated results of operations of 1st 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 2009 annual report should also be read for a description of our organization, operations and significant accounting policies.

AgriBank, FCB's (AgriBank) financial condition and results of operations materially affect shareholders' investment in 1st Farm Credit Services, ACA. To request free copies of the AgriBank and combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report contact us at 2000 Jacobssen Drive, Normal, Illinois 61761, (309) 268-0100 or via the internet at www.1stfarmcredit.com. You may also contact AgriBank at 375 Jackson Street, St. Paul, Minnesota 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The AgriBank and combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank's website at www.agribank.com.

Loan Portfolio

Loan volume totaled \$2.7 billion at March 31, 2010, a \$4.4 million decrease from December 31, 2009. The minimal change in loan volume is due to normal seasonal operating loan repayments offset by new term loans.

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

	March 31	December 31
As of:	2010	2009
Loans:		
Accruing restructured	\$40	\$48
Past due 90 days or more still accruing	1,274	3,055
Nonaccrual	<u>43,127</u>	<u>40,767</u>
Total risk loans	44,441	43,870
Other property owned	<u>17</u>	<u>961</u>
Total risk assets	<u>\$44,458</u>	<u>\$44,831</u>
Risk loans as a % of total loans	1.6%	1.6%
Total delinquencies as a % of total loans	1.1%	0.9%

Our risk assets have not changed significantly from December 31, 2009, 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 and, as such, were eligible to remain in accruing status.

Despite the slight 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 March 31, 2010, and represented 1.6% of our total portfolio. At March 31, 2010, 60.6% of our nonaccrual loans were current.

The decline in other property owned was related to the sale of our interest in two ethanol properties.

The credit quality of our portfolio has remained unchanged from December 31, 2009. Adversely classified assets continue to be 3.0% of the portfolio at March 31, 2010. 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, 2010, \$62.8 million of our loans were, to some level, guaranteed under these governmental programs.

Above normal temperatures and below normal precipitation allowed fields to start drying out, yet most fields are still too damp for proper tillage. Producers have been busy preparing equipment and applying fertilizer along with limited soil tillage and planting. Topsoil moisture conditions around the state were rated 50 percent surplus and 50 percent adequate. Planting intentions reports, released at the end of March 2010, indicated that Illinois producers intend to plant five percent more corn and one percent more beans than 2009. Central Illinois corn prices at quarter-end were \$3.22 per bushel and soybean prices were \$9.17 per bushel. As compared to one year ago, corn prices have decreased about \$0.55 per bushel, while soybean prices have decreased about \$0.23 per bushel. The next move in corn and soybean prices will likely be associated with actual planted acreage and expectations about yields in 2010. Those expectations will begin to be formed by planting season weather and progress, which will be molded by weather and crop developments in our territory as the growing season progresses. Periods of concern could provide pricing opportunities.

The March 1, 2010, Hogs and Pigs Report revealed that, in the United States, the hogs and pigs inventory on March 1, 2010 was three percent less than on the same date in 2009. The December through February pig crop was two percent below the same period one year earlier. Farrowing intentions from March 2010 to May 2010 are down four percent from those farrowed the same period in 2009. The outlook for lower feed costs and reduced supplies will be complemented by stronger demand given recovery in the United States economy and continued expansion of pork exports. This outlook suggests that profits should return for producers during 2010.

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	December 31
Allowance as a percentage of:	2010	2009
Loans	0.5%	0.4%
Nonaccrual loans	29.7%	27.1%
Total risk loans	28.9%	25.2%

The increase in the allowance for loan losses was related to provisions made for a couple loans that failed to perform and the collectability of the collateral is less than previously expected. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2010.

Results of Operations

Net income for the three months ended March 31, 2010, totaled \$16.5 million compared to \$9.8 million for the same period of 2009. The following table illustrates profitability information:

As of March 31	2010	2009
Return on average assets	2.2%	1.5%
Return on average members' equity	12.6%	8.3%

The following table summarizes the changes in components of net income for the three months ended March 31, 2010, compared to the three months ended March 31, 2009 (in thousands):

Increase (decrease) in net income	2010 vs 2009
Net interest income	\$3,860
Provision for loan losses	(209)
Patronage income	671
Compensation from AgriBank, FCB	(73)
Financially related services and miscellaneous income, net	2,911
Operating expenses	(515)
Provision for income taxes	9
Total change in net income	<u>\$6,654</u>

Net interest income was \$19.8 million for the three months ended March 31, 2010. The following table quantifies changes in net interest income for the three months ended March 31, 2010, compared to the three months ended March 31, 2009 (in thousands):

Change in net interest income	2010 vs 2009
Changes in volume	\$1,473
Changes in rates	2,176
Changes in nonaccrual income and other	211
Net change	<u>\$3,860</u>

The change in the provision for loan losses is primarily related to deterioration in two accounts in our loan portfolio.

The change in patronage income is related to increased patronage received based on our note payable due to an increase in the patronage rate. Additionally, patronage income on our sale of a participation interest in certain real estate loans to AgriBank increased due to the share of distributions from Allocated Insurance Reserve Accounts (AIRA) totaling \$606 thousand related to the participations sold to AgriBank. These reserve accounts were established in previous years by the Farm Credit System Insurance Corporation when premiums collected increased the level of the Insurance Fund beyond the required 2% of insured debt.

The increase in financially related services and miscellaneous income, net is primarily due to our share of distributions from AIRA of \$2.8 million.

The operating expense increases were primarily related to increased employee compensation partially offset by a decrease in Farm Credit System Insurance expense.

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 in the form of a line of credit. 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 \$15.6 million from December 31, 2009, 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 generally average at-risk capital divided by average risk-adjusted assets. At March 31, 2010, our ratio was 14.0%.
- The total surplus ratio is generally average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At March 31, 2010, our ratio was 13.7%.
- The core surplus ratio is generally average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank divided by average risk-adjusted assets. At March 31, 2010, our ratio was 13.7%.

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.

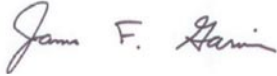
The undersigned certify they have reviewed 1st Farm Credit Services, ACA's March 31, 2010, quarterly report. It has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.



John Baylor
Chairperson of the Board
1st Farm Credit Services, ACA



Gary Ash
Chief Executive Officer
1st Farm Credit Services, ACA



James Garvin
Chief Financial Officer
1st Farm Credit Services, ACA

April 30, 2010

CONSOLIDATED STATEMENT OF CONDITION1st Farm Credit Services, ACA

(Dollars in thousands)

(Unaudited)

	March 31	December 31
	2010	2009
ASSETS		
Loans	\$2,691,963	\$2,696,336
Allowance for loan losses	12,822	11,046
Net loans	2,679,141	2,685,290
Investment in AgriBank, FCB	106,009	104,574
Investment securities	210,496	202,173
Accrued interest receivable	27,972	28,525
Premises and equipment, net	14,747	14,581
Other property owned	17	961
Assets held for lease, net	11,919	12,639
Net deferred income tax asset	982	--
Other assets	11,815	14,204
Total assets	\$3,063,098	\$3,062,947
LIABILITIES		
Note payable to AgriBank, FCB	\$2,509,193	\$2,513,628
Accrued interest payable	11,754	11,974
Patronage distribution payable	1,025	3,800
Other liabilities	10,598	18,604
Total liabilities	2,532,570	2,548,006
MEMBERS' EQUITY		
Protected members' equity	24	28
Capital stock and participation certificates	8,187	8,036
Unallocated surplus	522,317	506,877
Total members' equity	530,528	514,941
Total liabilities and members' equity	\$3,063,098	\$3,062,947

CONSOLIDATED STATEMENT OF INCOME1st Farm Credit Services, ACA

(Dollars in thousands)

(Unaudited)

	Three Months	
Period ended March 31	2010	2009
Interest income	\$31,601	\$29,785
Interest expense	11,759	13,803
Net interest income	19,842	15,982
Provision for loan losses	2,242	2,033
Net interest income after provision for loan losses	17,600	13,949
Other income		
Patronage income	4,886	4,215
Compensation from AgriBank, FCB	69	142
Financially related services and miscellaneous income, net	4,771	1,860
Total other income	9,726	6,217
Operating expense		
Salaries and employees benefits	7,216	5,977
Other operating	3,534	4,258
Total operating expenses	10,750	10,235
Income before income taxes	16,576	9,931
Provision for income taxes	94	103
Net income	\$16,482	\$9,828

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY1st 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, 2008	\$31	\$7,768	\$458,508	\$466,307
Net income	--	--	9,828	9,828
Unallocated surplus designated for patronage distributions	--	--	(928)	(928)
Capital stock/participation certificates issued	--	178	--	178
Capital stock/participation certificates retired	--	(147)	--	(147)
Balance at March 31, 2009	\$31	\$7,799	\$467,408	\$475,238
Balance at December 31, 2009	\$28	\$8,036	\$506,877	\$514,941
Net income	--	--	16,482	16,482
Unallocated surplus designated for patronage distributions	--	--	(1,042)	(1,042)
Capital stock/participation certificates issued	--	262	--	262
Capital stock/participation certificates retired	(4)	(111)	--	(115)
Balance at March 31, 2010	\$24	\$8,187	\$522,317	\$530,528

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 2009 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, 2009. These unaudited first quarter 2010 consolidated financial statements should be read in conjunction with the 2009 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, 2010, are not necessarily indicative of the results to be expected for the year ended December 31, 2010.

The consolidated financial statements present the consolidated financial results of 1st Farm Credit Services, ACA (the parent) and 1st Farm Credit Services, FLCA and 1st Farm Credit Services, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recent Accounting Developments

Effective January 1, 2010, we adopted Financial Accounting Standards Board (FASB) guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurements by increasing transparency in financial reporting. The guidance will provide for a greater level of disaggregated information for assets and liabilities measured on a recurring basis and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on our financial condition and results of operations but may have resulted in additional disclosures.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by providing clarification of the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The guidance also requires additional disclosure about transfers of financial assets and a transferor's continuing involvement with transferred assets. This guidance is effective as of January 1, 2010. This guidance must be applied to transfers occurring on or after the effective date. Adoption of this guidance did not have a material impact on our financial statements.

NOTE 2: Investment Securities

We held investment securities of \$210.5 million at March 31, 2010, and \$202.2 million at December 31, 2009, 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 investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio. The following table presents the amortized cost, unrealized gains and losses, and fair value of the investment securities (in thousands):

	March 31	December 31
As of:	2010	2009
Amortized cost	\$210,496	\$202,173
Unrealized gains	1,803	2,128
Unrealized losses	(429)	(272)
Fair value	\$211,870	\$204,029
Weighted average yield	1.4%	1.4%

Investment income is recorded in "Interest income" on the Consolidated Statement of Income and totaled \$724 thousand for the period ended March 31, 2010, and \$265 thousand for the period ended March 31, 2009.

The contractual maturities of the investment securities at March 31, 2010, are none in the one year or less, \$705 thousand in one to five years, \$96.3 million in five to ten years and \$113.5 million in more than 10 years.

NOTE 3: Allowance for Loan Losses

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

Three months ended March 31	2010	2009
Balance at beginning of year	\$11,046	\$6,174
Provision for loan losses	2,242	2,033
Loan recoveries	145	9
Loan chargeoffs	(611)	(539)
Balance at end of period	\$12,822	\$7,677

We recorded provision expense this quarter primarily related to deterioration in a couple accounts in our loan portfolio.

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

	March 31	December 31
As of:	2010	2009
Volume with specific reserves	\$26,734	\$23,167
Volume without specific reserves	17,707	20,703
Total risk loans	\$44,441	\$43,870
Total specific reserves	\$7,965	\$6,044
Three months ended March 31	2010	2009
Income on accrual risk loans	\$6	\$9
Income on nonaccrual loans	364	93
Total income on risk loans	\$370	\$102
Average recorded investment	\$44,156	\$36,809

NOTE 4: Contingencies

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be 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 in our 2009 annual report for a more complete description.

We do not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2010, or December 31, 2009. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (in thousands):

	Fair Value Measurement Using			Total Fair Value	Total Gain (Loss)
	Level 1	Level 2	Level 3		
March 31, 2010					
Loans	\$ --	\$2,364	\$17,344	\$19,708	(\$1,921)
Other property owned	--	--	18	18	746
December 31, 2009					
Loans	\$ --	\$11,802	\$6,177	\$17,979	(\$3,728)
Other property owned	--	--	999	999	100

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

Other Property Owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 6: Subsequent Events

We have evaluated subsequent events through April 30, 2010, which is the date the financial statements were available to be issued.