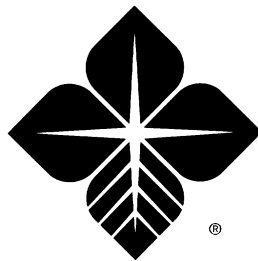




First Quarter 2008
Financial Report to Stockholders

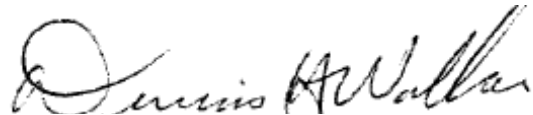


REPORT OF MANAGEMENT

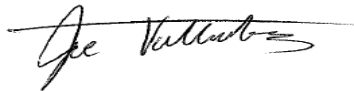
The undersigned certify that this report has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate and complete to the best of his or her knowledge and belief.



Roger Brist, Chief Executive Officer
April 16, 2008



Dennis Walker, Chairman, Board of Directors
April 15, 2008



Joe Valladares, VP of Finance/Accounting
April 15, 2008

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

(Dollars in thousands except as noted)

The following commentary reviews the financial performance of the AgriLand, Farm Credit Services (Agricultural Credit Association), referred to as the Association for the first quarter ending March 31, 2008. These comments should be read in conjunction with the accompanying financial statements and the 2007 AgriLand, Farm Credit Services Annual Report.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events:

The Association experienced a strong start to 2008 with accrual loan growth of 4.5% for the first three months. Interest income was strong, but was slightly offset by an increase in nonaccrual volume and foregone interest income generated from these adverse assets. In March 2008, the association recorded a \$944 provision for loan loss. This significant adjustment to net income was due to a participation loan's deteriorated quality and a request from the originating association to record the reserve. The association is working with the originating association to have the borrower find resolution to this issue. This provision does not represent an overall increase in portfolio risk, but rather an isolated series of events.

Loan Portfolio:

Association loan volume was \$352,718 at March 31, 2008 as compared to \$337,401 at December 31, 2007. This represents a 4.5% increase from year-end. The Association experienced a 7.9% increase in loan volume when compared to March 31, 2007 when loan volume was \$327,030. This increase in loans is primarily due to increased demands for cattle, forestry, poultry and other commodities. Loan volume growth is also attributed to rural home, land, and recreational property financing. Total assets have shown a similar increase for the same period due to increased loan volume.

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. During the first quarter the Association experienced a slight increase in nonaccrual volume. This is attributed to one borrower's significant credit deterioration on his outstanding debt obligations. Past due loans greater than 90 days and still accruing decreased significantly due to a large entity making its past due payment during the first quarter. The following table illustrates the Association's components and trends of high-risk assets.

<i>(dollars in thousands)</i>	2008		2007		
		March 31		December 31	
Nonaccrual	\$	8,877	96.1%	\$ 7,805	75.6%
90 past due and still accruing interest		358	3.9%	2,475	24.0%
Other property owned, net		2	0.0%	49	0.5%
Total	\$	9,237	100.0%	\$ 10,329	100.1%

Results of Operations:

For the three-month period ended on March 31, 2008 the Association's net income was \$573 as compared to a net income of \$1,641 for the same three-month period in 2007. The decrease in net income for the first quarter is attributed to the recording of a large reserve on a purchased participation loan. Net interest income decreased by \$214 to \$2,352 as compared to 2007 which was \$2,566. This decrease in interest during the first quarter of 2008 is caused by an decrease in margins primarily due to Association lending practices to match predatory pricing. Margins are being closely monitored to prevent excessive decreases in interest margins.

The Association recorded no recoveries and \$58 in charge-offs for the quarter ending March 31, 2008, and \$5 in recoveries and \$55 in charge-offs for the same period in 2007. The Association's allowance for loan losses was 0.61 percent and 0.07 percent of total loans outstanding as of March 31, 2008, and 2007, respectively.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Bank, which obtains its funds through the issuance of Systemwide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

(dollars in thousands)	(unaudited)	
	March 31, 2008	March 31, 2007
Note payable to the Bank	\$ 319,238	\$ 303,721
Accrued interest on note payable	1,249	1,357
Total	\$ 320,487	\$ 305,078

Capital Resources:

Total equity increased \$411 from \$42,551 in December 31, 2007 to \$42,962 at March 31, 2008. This is attributed to earnings and capital investments made by new borrowers during the period.

The Association's average permanent capital ratio was 11.1% for the three months ended March 31, 2008. The average total surplus ratio and core surplus ratio were 10.4% and 10.3%, respectively, for the same period. FCA regulations require a minimum of 7% permanent capital and total surplus ratio and a 3.5% core surplus ratio. Current day ratios are at 10.9% for permanent capital, total surplus and core surplus were 10.2% and 10.1%, respectively.

Relationship with the Farm Credit Bank of Texas:

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the December 31, 2007 Annual Report of Agriland, Farm Credit Services more fully describe the Association's relationship with the Bank.

The Tenth Farm Credit District's (District) annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9260. Copies of the District's quarterly and annual stockholder reports also can be requested by e-mail at fcf@farmcreditbank.com. The District makes its annual and quarterly stockholder reports available on its Web site at www.farmcreditbank.com.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports are available no later than 45 days after quarter-end. These reports can be obtained by writing to Agriland, Farm Credit Services, and 3210 WNW Loop 323, Tyler, Texas 75701 or calling (903)593-0151. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing jvalladares@agriland.com. Agriland makes its annual and quarterly stockholder reports available on its Web site at www.agriland.com.

AgriLand, Farm Credit Services

Consolidated Balance Sheet
(dollars in thousands)

	<u>March 31</u> <u>2008</u>	<u>December 31</u> <u>2007</u>	<u>March 31</u> <u>2007</u>
(unaudited)			
<u>Assets</u>			
Cash.....	\$ 144	\$ 49	\$ 1,122
Loans.....	352,718	337,401	327,030
Less allowance for loan losses.....	<u>(2,141)</u>	<u>(1,255)</u>	<u>(235)</u>
Net loans.....	350,577	336,146	326,795
Accrued interest receivable.....	8,037	7,248	8,605
Investment in Farm Credit Bank			
Capital stock.....	6,406	6,406	6,406
Other.....	1,028	1,404	996
Deferred tax assets.....	572	501	170
Other property owned, net.....	2	49	102
Premises and equipment, net.....	972	957	988
Other assets.....	536	178	379
Total assets.....	<u>\$ 368,274</u>	<u>\$ 352,938</u>	<u>\$ 345,563</u>
<u>Liabilities</u>			
Note payable to the Farm Credit Bank.....	319,238	303,721	298,541
Advance conditional payments.....	1,124	809	1,822
Accrued interest payable.....	1,249	1,357	1,266
Drafts outstanding.....	604	1,014	606
Patronage distributions payable.....	190	714	705
Other liabilities.....	<u>2,907</u>	<u>2,772</u>	<u>2,419</u>
Total liabilities.....	<u>\$ 325,312</u>	<u>\$ 310,387</u>	<u>\$ 305,359</u>
<u>Members' Equity</u>			
At-risk members' equity:			
Preferred stock.....	\$ 2,754	2,754	3,187
Capital stock and participation certificates.....	2,255	2,201	2,182
Allocated retained earnings.....	10,699	11,683	4,249
Unallocated retained earnings.....	<u>27,000</u>	<u>25,625</u>	<u>30,586</u>
Accumulated Other Comprehensive.....	254	288	0
Total members' equity.....	<u>42,962</u>	<u>42,551</u>	<u>40,204</u>
Total liabilities and members' equity.....	<u>\$ 368,274</u>	<u>\$ 352,938</u>	<u>\$ 345,563</u>

The accompanying notes are an integral part of these financial statements

AgriLand, Farm Credit Services
Consolidated Statements of Income
(dollars in thousands)

	For the three months ended March 31	
(unaudited)	2008	2007
<u>Interest Income</u>		
Loans.....	\$ 6,183	\$ 6,642
Other.....	7	13
Total interest income.....	6,190	6,655
<u>Interest Expense</u>		
Note payable to Farm Credit Bank of Texas.....	3,838	4,089
Net interest income.....	2,352	2,566
<u>Provision for Losses</u>		
Provision for loan losses.....	944	131
Net interest income after provision for losses.....	1,408	2,435
<u>Noninterest Income</u>		
Income from the Bank:		
Patronage income.....	376	405
Loan fees.....	178	134
Fees for financial related services.....	5	6
Gains on sales of other property owned.....	-	7
Other operating income.....	9	16
Total noninterest income.....	568	568
<u>Noninterest expense</u>		
Salaries and employee benefits.....	843	794
Directors' expense.....	47	51
Purchased services.....	108	135
Travel.....	40	51
Occupancy and equipment.....	62	58
Communications.....	29	19
Advertising.....	35	34
Public and member relations.....	43	24
Supervisory and exam expense.....	53	7
FCSIC insurance expense.....	125	121
Losses on sales of other property owned.....	7	-
Other operating expenses.....	81	59
Total noninterest expense.....	1,473	1,353
Income before taxes.....	503	1,650
(Benefit) provision for income taxes.....	(70)	9
Net income.....	\$ 573	\$ 1,641

The accompanying notes are an integral part of these financial statements

AgriLand, Farm Credit Services

Consolidated Statement of Changes In Capital
(dollars in thousands)

(unaudited)	Preferred Stock	Capital Stock/ Participation Certificates	Retained Earnings		Accumulated Comprehensive Income	Total Members Equity
			Allocated	Unallocated		
Balance at December 31, 2006.....	\$ -	\$ 3,151	\$ 2,173	\$ 3,905	\$ -	\$ 29,400
Net Income.....	-	-	-	-	-	1,644
Capital stock/participation certificates issued..	-	-	140	-	-	-
Capital stock/participation certificates retired..	-	36	(131)	-	-	-
Patronage distribution						
Cash.....	-	-	-	-	-	(137)
Allocated.....	-	-	-	320	-	(320)
Distribution adjustment.....	-	-	-	24	-	-
Balance at March 31, 2007.....	\$ -	\$ 3,187	\$ 2,182	\$ 4,249	\$ -	\$ 30,587
Balance at December 31, 2007.....	\$ 2,754	\$ 2,201	\$ 11,683	\$ 25,626	\$ 288	\$ 42,552
Net Income.....	-	-	-	573	-	573
Comprehensive income:						
Prior service credits (costs)	-	-	-	-	(31)	-
Other comprehensive income.....	-	-	-	-	(32)	(32)
Effects of accounting change regarding measurement date of postretirement benefits plans pursuant to FAS No. 158						
Service and interest costs for Oct 1-Dec. 31, net tax	-	-	-	-	29	-
Amortization of prior service credits for Oct. 1-Dec. 31, net of tax	-	-	-	-	(32)	-
Net effects of accounting change.....	-	-	-	-	(2)	(2)
Capital stock/participation certificates issued..	-	193	-	-	-	193
Capital stock/participation certificates retired..	-	(139)	-	-	-	(139)
Patronage distribution						
Cash.....	-	-	-	(176)	-	(176)
Allocated.....	-	-	243	(243)	-	-
Distribution adjustment.....	-	-	(1,227)	1,220	-	(7)
Balance at March 31, 2008.....	\$ 2,754	\$ 2,255	\$ 10,699	\$ 27,000	\$ 254	\$ 42,962

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

AGRILAND, FARM CREDIT SERVICES
NOTES TO QUARTERLY FINANCIAL STATEMENT
(Unaudited)
(Dollars in thousands except as noted)

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Agriland, Farm Credit Services (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of Anderson, Angelina, Bowie, Camp, Cass, Chambers, Cherokee, Collin, Cook, Dallas, Delta, Denton, Fannin, Franklin, Freestone, Grayson, Gregg, Hardin, Harrison, Henderson, Hopkins, Houston, Hunt, Jasper, Jefferson, Kaufman, Lamar, Leon, Liberty, Limestone, Marion, Montgomery, Morris, Nacogdoches, Newton, Orange, Panola, Polk, Rains, Red River, Rockwall, Rusk, Sabine, San Augustine, San Jacinto, Shelby, Smith, Titus, Trinity, Tyler, Upshur, Van Zandt, Walker and Wood in the state of Texas. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to generally accepted accounting principles, except for the inclusion of a statement of cash flows. Generally accepted accounting principles require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter and the three months ended March 31, 2008, are not necessarily indicative of the results to be expected for the year ended December 31, 2008. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2: ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at a level considered adequate by management to provide for estimated losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition and prior loan loss experience. An analysis of the allowance for loan losses follows:

	March 31	
	2008	2007
Balance beginning of quarter	\$ 1,255	\$ 154
Provisions for loan losses	944	131
Charge-Offs	(58)	(55)
Recoveries	0	5
Balance at end of quarter	\$ 2,141	\$ 235

The following table presents information concerning impaired loans.

	March 31	
	2008	2007
Impaired loans with related allowance	\$ 6,131	\$ 149
Impaired loans with no related allowance	3,104	725
Total impaired loans	\$ 9,235	\$ 874
Allowance on impaired loans	\$ 1,952	\$ 17

The following table summarizes impaired loan information for the quarter ended March 31, 2008.

	March 31	
	2008	2007
Average impaired loans	\$ 7,681	\$ 652
Interest income recognized on impaired loans	\$ 13	\$ 10

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at March 31, 2008.

NOTE 3: CAPITAL

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

NOTE 4: INCOME TAXES

AgriLand, Farm Credit Services, the parent company, and the wholly owned PCA subsidiary, AgriLand, PCA, are subject to federal income tax. The long-term mortgage lending activity conducted by AgriLand, FLCA, the wholly owned FLCA subsidiary, is exempt from federal income tax.

The Association's adoption of FIN 48 on January 1, 2007 has not created a liability for unrecognized tax benefits.

NOTE 5: EMPLOYEE BENEFIT PLANS

The following table summarizes the components of the net periodic benefit costs as of March 31:

	March 31 2008	March 31 2007
Service cost	\$ 5	\$ 10
Interest cost	25	27
Amortization of:		
Unrecognized prior service costs	(32)	(33)
Unrecognized net (gain) loss	0	4
Net periodic benefit cost	\$ (2)	\$ 8

As discussed in the 2007 Annual Report, the District discontinued the multi-employer approach to provide health and welfare benefits and the Association adopted a new plan to provide the same benefits to its retirees, employees and directors. Under the new plan, the Association recorded an unfunded accumulated benefit obligation for its retirees and employees. The balance of this liability as of March 31, 2008 was \$1,546.

NOTE 6: FINANCIAL INSTRUMENTS OF OFF-BALANCE-SHEET RISK

The Association is a party to financial instruments with off-balance-sheet risk originating in the normal course of business to meet the financing needs of its customers. The Association's financial instruments with off-balance-sheet risk are in the form of commitments to extend credit to borrowers.

The Association's exposure to credit loss in the event of nonperformance by the borrowers for commitments to extend credit is represented by the contractual amount of these commitments. The Association uses the same credit policies in making these commitments as it does for loans that are represented on the balance sheet.

Financial instruments that contract amounts represent credit risk:
Commitments to extend credit: \$37,375



**AGRILAND, FARM CREDIT SERVICES
OFFICE LOCATIONS**

ADMINISTRATIVE OFFICE (903) 593-0151	3210 W.N.W. Loop 323 Tyler, Texas 75712
TYLER BRANCH OFFICE (903) 593-0151	3210 W.N.W. Loop 323 Tyler, Texas 75712
ATHENS BRANCH OFFICE (903) 675-9388	520 East Tyler Athens, Texas 75751
NACOGDOCHES BRANCH OFFICE (936) 564-0448	2200 NW Stallings Drive Nacogdoches, Texas 75963
SULPHUR SPRINGS BRANCH OFFICE (903) 885-7608	1305 Shannon Road Sulphur Springs, Texas 75482
BEAUMONT BRANCH OFFICE (409) 861-1900	1630 North Major Dr., Suite A Beaumont, Texas 77713
FAIRFIELD BRACH OFFICE (254) 389-8738	Hwy 84 Fairfield, Texas 75840
PARIS BRANCH OFFICE (903) 784-4383	3743 Lamar Avenue Paris, Texas 75460
BONHAM BRANCH OFFICE (903) 583-3217	112 E. Hwy 82 Bonham, Texas 75418
GAINESVILLE BRANCH OFFICE (940) 665-0304	110 East Broadway Gainesville, Texas 76240
CLARKSVILLE BRANCH OFFICE (903) 427-5675	401 N. Locust Clarksville, Texas 75426