



Second Quarter 2009
Financial Report to Stockholders



REPORT OF MANAGEMENT

The undersigned certify that this report has been prepared and reviewed 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
July 10, 2009



Dennis Walker, Chairman, Board of Directors
July 09, 2009



Joe Valladares, Vice President of Finance
July 09, 2009

**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 quarter and six months ended June 30, 2009. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2008 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 performed very well for the first half of 2009. Net income was \$2,676 a \$656 increase as compared to the same period in 2008. The increase in net income stems primarily from a decrease in provisions for bad debts, increases in spread margins, and increases in loan fees. In 2009, the Association recorded provision reversals of \$446 as compared to a provision increase of \$1,005 for the same period in 2008. Loan growth was 1.0 percent or \$3,627 higher as compared to December 31, 2008. Loan volume will decrease throughout the remainder of 2009 as borrowers continue to reduce debts, adverse loans are collected, and weak economic conditions hinder growth opportunities.

The Association's credit quality weakened during the first half of 2009 due to the downgrade of certain poultry producer loans and dairy loans to an adverse classification. Poultry loans were downgraded because of their reliance on sales to an integrator that is currently in Chapter 11 bankruptcy. Although these poultry operators are current on their debt obligations and are expected to perform, an adverse classification is necessary until improvements are observed with the related integrator's operations. Dairy loans were downgraded because of unusually high operating losses caused by low prices for milk in late 2008 and into the second quarter of 2009. As such, substandard loans increased from \$27,168 to \$46,893 for the three months ending June 2009. The volatility in the national economy continues to shape a future of uncertainty for the financial industry. The Association will closely monitor its financial performance and adjust operations to ensure profitability and long-term sustainability for the betterment of its stockholders.

Loan Portfolio:

Association loan volume was \$387,508 at June 30, 2009 as compared to \$383,881 at December 31, 2008. This represents a 0.9 percent increase from year-end. The Association experienced a 6.8 percent increase in loan volume when compared to June 30, 2008 when loan volume was \$362,896. This increase in loans is primarily due to increased demands for cattle, forestry, 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 half of 2009 the Association's high-risk asset portfolio increased as compared to year-end 2008. This increase is primarily attributed to increases in nonaccrual loans from \$12,657 to \$19,188 in December 2008 and June 2009, respectively. The weak economy has affected the repayment capacity of some of the Association's producers specifically in the dairy and poultry industries.

<i>(dollars in thousands)</i>	June 30, 2009 (unaudited)		December 31, 2008	
	Amount	%	Amount	%
Nonaccrual	\$ 19,188	89.5%	\$ 12,657	98.3%
90 past due and still accruing interest	416	2.0%	-	0.0%
Other property owned, net	1,083	5.0%	216	1.7%
Total	\$ 21,448	100.0%	\$ 12,873	100.0%

Results of Operations:

For the three-month period ended on June 30, 2009 the Association's net income was \$1,522 as compared to a net income of \$1,447 for the same three-month period in 2008. The \$75 increase in net income for the second quarter is due to a decrease in provision reserve adjustments for the three-month period of 2009 as compared to 2008. Net interest income

increased by \$75 to \$2,528 as compared to 2008 which was \$2,453. This is attributed to a combination of low interest rates and increased spreads on new loan actions.

The Association recorded \$37 in reserves and \$514 in charge-offs for the quarter ending June 30, 2009, and \$2 in recoveries and \$158 in charge-offs for the same period in 2008. The Association's allowance for loan losses was 0.2 percent and 0.5 percent of total loans outstanding as of June 2009, and 2008, 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)	
	June 30, 2009	December 31, 2008
Note payable to the Bank	\$ 348,266	\$ 344,395
Accrued interest on note payable	1,012	1,204
Total	\$ 349,278	\$ 345,599

Capital Resources:

Total equity increased 10.5 percent from \$46,142 in December 31, 2008 to \$48,905 at June 30, 2009. This is attributed to earnings and capital investments made by new borrowers and reductions in patronage distributions during the period.

The Association's average permanent capital ratio was 11.2 percent for the three months ended June 30. The average total surplus ratio and core surplus ratio were 10.5 percent and 10.5 percent, respectively, for the same period. FCA regulations require a minimum of 7.0 percent permanent capital and total surplus ratio and a 3.5 percent core surplus ratio. Current day ratios are at 11.4 percent for permanent capital, total surplus and core surplus were 10.8 percent and 10.8 percent, 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, 2008 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)593-6609. 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)

	June 30 2009 (unaudited)	December 31 2008	June 30 2008 (unaudited)
<u>ASSETS</u>			
Cash.....	\$ 110	\$ 82	\$ 160
Loans.....	387,508	383,881	362,896
Less allowance for loan losses.....	<u>(1,095)</u>	<u>(2,216)</u>	<u>(2,046)</u>
Net loans.....	386,413	381,665	360,850
Accrued interest receivable.....	4,992	5,179	7,129
Investment in Farm Credit Bank			
Capital stock.....	6,481	6,480	6,406
Other.....	721	1,397	1,802
Deferred tax assets.....	802	599	531
Other property owned, net.....	1,083	216	133
Premises and equipment, net.....	1,277	1,164	967
Other assets.....	663	155	358
Total assets.....	<u>\$ 402,542</u>	<u>\$ 396,937</u>	<u>\$ 378,336</u>
<u>LIABILITIES</u>			
Note payable to the Farm Credit Bank.....	348,266	344,395	327,722
Advance conditional payments.....	1,158	928	1,968
Accrued interest payable.....	1,012	1,204	1,147
Drafts outstanding.....	706	683	431
Patronage distributions payable.....	4	764	365
Other liabilities.....	2,491	2,821	2,460
Total liabilities.....	<u>\$ 353,637</u>	<u>\$ 350,795</u>	<u>\$ 334,093</u>
<u>MEMBERS' EQUITY</u>			
At-risk members' equity:			
Preferred stock.....	\$ 2,754	2,754	2,754
Capital stock and participation certificates.....	2,289	2,313	2,305
Allocated retained earnings.....	18,612	13,897	11,990
Unallocated retained earnings.....	<u>25,131</u>	<u>27,045</u>	<u>26,971</u>
Accumulated Other Comprehensive.....	<u>119</u>	<u>133</u>	<u>223</u>
Total members' equity.....	<u>48,905</u>	<u>46,142</u>	<u>44,243</u>
Total liabilities and members' equity.....	<u>\$ 402,542</u>	<u>\$ 396,937</u>	<u>\$ 378,336</u>

The accompanying notes are an integral part of these financial statements

AGRILAND, FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF INCOME

(dollars in thousands)

(unaudited)

	For the three months ended		For the six months ended	
	June 30		June 30	
	2009	2008	2009	2008
<u>INTEREST INCOME</u>				
Loans.....	\$ 5,634	\$ 5,914	\$ 11,421	\$ 12,097
Other.....	6	7	12	14
Total interest income.....	<u>5,640</u>	<u>5,921</u>	<u>11,433</u>	<u>12,111</u>
<u>INTEREST EXPENSE</u>				
Note payable to the Bank.....	<u>3,112</u>	<u>3,468</u>	<u>6,349</u>	<u>7,306</u>
Net interest income.....	<u>2,528</u>	<u>2,453</u>	<u>5,084</u>	<u>4,805</u>
<u>PROVISION FOR LOSSES</u>				
(Provision reversal) provision for loan losses.....	(495)	61	(446)	1,005
Net interest income after provision for losses.....	<u>3,023</u>	<u>2,392</u>	<u>5,530</u>	<u>3,800</u>
<u>NONINTEREST INCOME</u>				
Income from the Bank:				
Patronage income.....	185	361	390	737
Loan fees.....	144	290	399	468
Fees for financial related services.....	2	3	12	8
Other operating income.....	9	10	18	19
Total noninterest income.....	<u>340</u>	<u>664</u>	<u>819</u>	<u>1,232</u>
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits.....	1,122	909	2,222	1,752
Directors' expense.....	59	52	127	99
Purchased services.....	110	113	213	221
Travel.....	59	42	110	82
Occupancy and equipment.....	74	64	147	126
Communications.....	33	27	60	56
Advertising.....	37	40	71	75
Public and member relations.....	52	55	96	98
Supervisory and exam expense.....	71	50	127	103
FCSIC insurance expense.....	167	129	330	254
Losses on sales of other property owned.....	-	1	-	8
Other operating expenses.....	72	86	181	167
Total noninterest expense.....	<u>1,856</u>	<u>1,568</u>	<u>3,684</u>	<u>3,041</u>
Income before taxes.....	<u>1,507</u>	<u>1,488</u>	<u>2,665</u>	<u>1,991</u>
(Benefit from) provision for income taxes.....	(15)	41	(11)	(29)
Net income.....	<u>\$ 1,522</u>	<u>\$ 1,447</u>	<u>\$ 2,676</u>	<u>\$ 2,020</u>

The accompanying notes are an integral part of these financial statements

AGRILAND, FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(dollars in thousands)

(unaudited)

	Preferred Stock	Capital Stock/ Participation Certificates	Retained Earnings		Accumulated Comprehensive Income	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2007.....	\$ 2,754	\$ 2,201	\$ 11,683	\$ 25,625	\$ 288	\$ 42,551
Adjustment to beginning balance due to FAS No. 158 accounting change	-	-	-	-	(2)	(2)
Balance at January 1, 2008	<u>2,754</u>	<u>2,201</u>	<u>11,683</u>	<u>25,625</u>	<u>286</u>	<u>42,549</u>
Net Income.....	-	-	-	2,022	-	2,022
Comprehensive income:						
Amortization of costs included in periodic retirement benefit costs.....	-	-	-	-	(64)	-
Total comprehensive income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64)</u>	<u>(64)</u>
Capital stock/participation certificates issued.....	-	383	-	-	-	383
Capital stock/participation certificates retired.....	-	(279)	-	-	-	(279)
Patronage distribution:						
Cash.....	-	-	-	(351)	-	(351)
Allocated.....	-	-	1,535	(1,535)	-	(0)
Distribution adjustment.....	-	-	(1,227)	1,210	-	(17)
Balance at June 30, 2008.....	<u>\$ 2,754</u>	<u>\$ 2,305</u>	<u>\$ 11,991</u>	<u>\$ 26,971</u>	<u>\$ 222</u>	<u>\$ 44,243</u>
Balance at December 31, 2008.....	\$ 2,754	\$ 2,313	\$ 13,897	\$ 26,963	\$ 155	\$ 46,082
Net Income.....	-	-	-	2,675	-	2,675
Comprehensive income:						
Amortization of costs included in periodic retirement benefit costs.....	-	-	-	-	(63)	-
Actuarial gains (losses).....	-	-	-	-	27	-
Total comprehensive income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36)</u>	<u>(36)</u>
Capital stock/participation certificates issued.....	-	220	-	-	-	220
Capital stock/participation certificates retired.....	-	(244)	-	-	-	(244)
Patronage distribution:						
Allocated.....	-	-	1,814	(1,814)	-	(0)
Distribution adjustment.....	-	-	2,901	(2,693)	-	208
Balance at June 30, 2009.....	<u>\$ 2,754</u>	<u>\$ 2,289</u>	<u>\$ 18,612</u>	<u>\$ 25,131</u>	<u>\$ 119</u>	<u>\$ 48,905</u>

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.

Effective January 1, 2009, the Association adopted Financial Accounting Standards Board (FASB) Staff Position No. 157-2, "Effective Date of FASB Statement No. 157" (FSP 157-2). This FSP delayed the effective date of Statement of Financial Accounting Standard (SFAS) No. 157, "Fair Value Measurements" (SFAS 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 April 2009, the FASB issued FSP No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP 157-4). FSP 157-4 emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique and inputs used, the objective for fair value measurement is unchanged from what it would be if markets were operating at normal activity levels or transactions were orderly; that is, to determine the current exit price. It sets forth additional factors that should be considered to determine whether there has been a significant decrease in volume and level of activity when compared with normal market activity. The reporting entity shall evaluate the significance and relevance of the factors to determine whether, based on the weight of evidence, there has been a significant decrease in activity and volume. FSP 157-4 indicates that if an entity determines that either the volume or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. It is further noted that a fair value measurement should include a risk adjustment to reflect the amount market participants would demand because of the risk (uncertainty) in the cash flows.

FSP 157-4 also requires a reporting entity to make additional disclosures in interim and annual periods. It is effective for interim periods ending after June 15, 2009, with early application permitted for periods ending after March 15, 2009. Revisions resulting from a change in valuation techniques or their application are accounted for as a change in accounting estimate. The Association adopted the FSP in second quarter 2009. The adoption did not have a material impact on the financial condition or results of operations of the Association. jenn

In April 2009, the FASB issued FSP No. 115-2, "Recognition and Presentation of Other-Than-Temporary Impairments" (FSP 115-2), which amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt securities in the financial statements. It does not change existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

FSP 115-2 changes existing impairment guidance under FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities (FSP 115) by eliminating the "ability and intent to hold" provision. In addition, impairment is now considered to be other than temporary if an entity (i) intends to sell the security, (ii) more likely than not will be required to sell the security before recovering its cost, or (iii) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). The "probability" standard relating to the collectability of cash flows is also eliminated, and impairment is now considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to in FSP 115-2 as a "credit loss"). If an entity intends to sell an impaired debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other-than-

temporary and should be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income. For held-to-maturity securities, the portion of the other-than-temporary impairment not related to a credit loss will be recognized in a new category of other comprehensive income and amortized over the remaining life of the debt security as an increase in the security's carrying amount. Disclosure requirements for impaired debt and equity securities are expanded and will now be required quarterly, as well as annually.

FSP 115-2 is effective for interim and annual periods ending after June 15, 2009, with early application permitted for periods ending after March 15, 2009. For securities held at the beginning of the interim period of adoption for which an other-than-temporary impairment was previously recognized, if an entity does not intend to sell and it is more likely than not that it will be required to sell before recovery of its amortized cost basis, the entity shall recognize the cumulative effect of initially applying this FSP adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income. The Association adopted the FSP in the second quarter of 2009 and did not recognize an adjustment to beginning retained earnings or accumulated other comprehensive income since no impairment losses were previously recognized. The Association held no investments in debt securities during the first six months of 2009.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" (SFAS No. 165), 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. Recognized subsequent events should be recognized in the financial statements since the conditions existed at the date of the balance sheet. Nonrecognized subsequent events are not recognized in the financial statements since the conditions arose after the balance sheet date but before the financial statements are issued or are available to be issued. 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.

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 June 30, 2009, 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:

	June 30	
	2009	2008
Balance beginning of quarter	\$ 2,067	\$ 2,141
(Provision reversal) provision for loan losses	(495)	61
Charge-Offs	(514)	(158)
Recoveries	37	2
Balance at end of quarter	\$ 1,095	\$ 2,046

The following table presents information concerning impaired loans.

	June 30	
	2009	2008
Impaired loans with related allowance	\$ 7,608	\$ 5,827
Impaired loans with no related allowance	12,762	1,966
Total impaired loans	\$ 20,370	\$ 7,793
Allowance on impaired loans	\$ 757	\$ 1,807
Average impaired loans	\$ 17,611	\$ 7,671
Interest income recognized on impaired loans	\$ 74	\$ 14

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at June 30, 2009.

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. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized.

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

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.

Assets and liabilities measured at fair value on a non-recurring basis at June 30, 2009 for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ -	\$ -	\$ 670	\$ 670
Other Property Owned	\$ -	\$ -	\$ 1,083	\$ 1,083

Valuation Techniques

As more fully discussed in Note 1, 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. The following represent a brief summary of the valuation techniques used for the Bank and its related Associations' assets and liabilities.

Loans

For certain loans evaluated for impairment under SFAS No. 114, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but 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 real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral less estimated costs to sell.

NOTE 6: EMPLOYEE BENEFIT PLANS

The following table summarizes the components of the net periodic benefit costs as of June 30:

	June 30 2009	June 30 2008
Service cost	\$ 10	\$ 10
Interest cost	50	49
Amortization of:		
Unrecognized prior service costs	(63)	(64)
Unrecognized net (gain) loss	27	1
Net periodic benefit cost	\$ 25	\$ (4)

The Association previously disclosed in its financial statements for the year ended December 31, 2008, that it expected to contribute \$1,009 to its defined pension plan in 2009. As of June 30, 2009, \$505 of contributions has been made. The Association presently anticipates contributing an additional \$505 to fund its defined pension plan in 2009 for a total \$1,009

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: \$33,561

NOTE 7: SUBSEQUENT EVENTS

Subsequent to quarter-end but before the financial report was issued significant improvement in the poultry industry became evident. As a result, the Association's credit quality is expected to improve as several poultry producer loans will be moved from an adverse to an acceptable classification in the third quarter of 2009. This event will not have a financial impact to the financial statements.

OFFICE LOCATIONS


ADMINISTRATIVE OFFICE (903) 593-6609	3210 W.N.W. Loop 323 Tyler, Texas 75712
TYLER BRANCH OFFICE (903) 593-0151	6760 Old Jacksonville Hwy, Suite 105 Tyler, Texas 75703
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 BRANCH OFFICE (254) 389-8738	314 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) 665-0715	206 S. Dixon Gainesville, Texas 76240
CLARKSVILLE BRANCH OFFICE (903) 427-5675	401 N. Locust Clarksville, Texas 75426
KINGWOOD BRANCH OFFICE (281) 354-0027	25408 US Hwy, Suite 100 Porter, Texas 77365

CERTIFICATION OF MANAGEMENT

The financial statements of the AgriLand, Farm Credit Services are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with generally accepted accounting principles and appropriate in the circumstances, except as noted. Other financial information included in the quarterly report is consistent with that in the financial statements.

To meet its responsibility for reliable information, management depends on the AgriLand, FCS accounting and internal control systems that have been designed to provide reasonable, but not absolute assurance what assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Association is examined by the Farm Credit Administration and by an independent outside auditor.

We hereby certify that, to the best of our knowledge, this report to stockholders has been prepared in accordance with all applicable and lawful regulations and instructions and is a true and accurate representation of AgriLand, FCS's financial condition for the quarter ending June 30, 2009.



Dennis Walker,
Chairman, Board of Directors

July 09, 2009

Date



Roger Brist,
Chief Executive Officer

July 09, 2009

Date