



1st Quarter 2010
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
May 12, 2010



Dennis Walker, Chairman, Board of Directors
May 10, 2010



Joe Valladares, Vice President of Finance
May 10, 2010

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 three months ended March 31, 2010. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2009 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's performance for the first three months ending March 2010 was commendable. Net earnings were up 27.3 percent to \$1,470 from \$1,154 in March 2010 and 2009, respectively. The increase in net income stems primarily from improved net interest income, increased FCBT patronage, lower operating expenses, and gains in sales of acquired property. Loan volume declined 6.6 percent, or \$23,630 lower as compared to December 31, 2009. Loan volume is expected to continue declining throughout the remainder of 2010 as borrowers continue to reduce debts, adverse loans are collected, and weak economic conditions hinder growth opportunities.

During the first quarter of 2010, the association exchanged \$14,675 of mortgage loans for Farmer Mac Mortgage Securities Corporation (FMMS) guaranteed securities that previously were covered under a Long-Term Standby Commitment to Purchase Agreement with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transaction. The association continues to service the loans included in this transaction.

The Association's credit quality remains weakened for the first quarter of 2010 due to continued stress in the dairy, beef, and nursery industries. Dairy loans were downgraded because of unusually high operating losses caused by low prices for milk in 2009 and 2010. 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 \$332,469 at March 2010 as compared to \$356,099 at December 2009. This represents a 6.6 percent decrease from year-end. The Association's loan volume decreased 15.9 percent when compared to March 2009 when loan volume was \$395,218. This decrease in loans is attributed to decreased demand and \$14,675 of mortgage loans exchanged for FMMS investment securities. Total assets have shown a similar decrease for the same period due to decreased loan volume.

The Association recorded \$103 in recoveries and \$1,219 in charge-offs for the quarter ending March 31, 2010, and \$8 in recoveries and \$414 in charge-offs for the same period in 2009. The Association's allowance for loan losses was 1.07 percent and 0.52 percent of total loans outstanding as of March 2010 and 2009, respectively.

Risk Exposure:

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. As of March 2010, the Association's high-risk asset portfolio increased as compared to year-end 2009. This increase is primarily attributed to increases in nonaccrual loans from \$12,245 to \$17,357 in December 2009 and March 2010, respectively. Other property owned increases are attributed to collection of collateral of foreclosed and acquired property. The weak economy has affected the repayment capacity of some of the Association's producers specifically in the dairy, beef, and nursery industries.

<i>(dollars in thousands)</i>	March 31, 2010 (unaudited)		December 31, 2009	
	Amount	%	Amount	%
Nonaccrual	\$ 17,140	72.3%	\$ 12,191	70.1%
90 past due and still accruing interest	886	3.7%	354	2.0%
Formally restructured	452	1.9%	759	4.4%
Other property owned, net	5,227	22.1%	4,098	23.5%
Total	\$ 23,705	100.0%	\$ 17,402	100.0%

Investments:

During the first quarter of 2010, the association exchanged \$14,675 of mortgage loans for Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed security that previously were covered under a Long-Term Standby Commitment to Purchase Agreement with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transaction. The association continues to service the loans included in this transaction. These investments in guaranteed securities are included in this report's Consolidated Balance Sheet as investments – held-to-maturity.

Results of Operations:

For the three-month period ended on March 31, 2010 the Association's net income was \$1,470 as compared to a net income of \$1,154 for the same three-month period in 2009. The \$316 increase in net income for the first quarter is due to increased net interest income, increased FCBT patronage, lower operating expenses, and gains in sales of acquired property. Net interest income increased by \$85 from \$2,641 to \$2,556 in 2010 and 2009, 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.

<i>(dollars in thousands)</i>	March 31, 2010	December 31, 2009
Note payable to the Bank	\$ 312,074	\$ 318,428
Accrued interest on note payable	881	910
Total	\$ 312,955	\$ 319,338

Capital Resources:

Total equity increased from \$48,228 in December 2009 to \$49,435 at March 2010. This is attributed to earnings and capital investments made by new borrowers during the period.

The Association's average permanent capital ratio was 11.8 percent for the three months ended March 2010. The average total surplus ratio and core surplus ratio were 11.1 percent and 11.1 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 12.2 percent for permanent capital, total surplus and core surplus were 11.5 percent and 11.5 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, 2009 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)

	March 31 2010 (unaudited)	December 31 2009	March 31 2009 (unaudited)
<u>ASSETS</u>			
Cash.....	\$ 601	\$ 93	\$ 309
Investments.....	14,675	-	-
Loans.....	332,469	356,099	395,218
Less: allowance for loan losses.....	(3,570)	(4,566)	(2,067)
Net loans.....	328,899	351,533	393,151
Accrued interest receivable.....	4,142	4,066	5,471
Investment in Farm Credit Bank			
Capital stock.....	6,923	6,923	6,481
Other.....	963	1,425	620
Deferred tax assets.....	2,422	2,368	787
Other property owned, net.....	5,227	4,098	216
Premises and equipment, net.....	1,129	1,180	1,262
Other assets.....	597	192	1,167
Total assets.....	<u>\$ 365,578</u>	<u>\$ 371,878</u>	<u>\$ 409,464</u>
<u>LIABILITIES</u>			
Note payable to the Farm Credit Bank.....	312,074	318,428	357,056
Advance conditional payments.....	281	639	811
Accrued interest payable.....	881	910	1,076
Drafts outstanding.....	248	637	215
Patronage distributions payable.....	183	4	(272)
Other liabilities.....	2,476	3,032	2,729
Total liabilities.....	<u>\$ 316,143</u>	<u>\$ 323,650</u>	<u>\$ 361,615</u>
<u>MEMBERS' EQUITY</u>			
At-risk members' equity:			
Preferred stock.....	\$ 2,754	2,754	2,754
Capital stock and participation certificates.....	2,152	2,216	2,314
Allocated retained earnings.....	20,363	20,367	14,353
Unallocated retained earnings.....	24,101	22,809	28,291
Accumulated Other Comprehensive.....	65	82	137
Total members' equity.....	<u>49,435</u>	<u>48,228</u>	<u>47,849</u>
Total liabilities and members' equity.....	<u>\$ 365,578</u>	<u>\$ 371,878</u>	<u>\$ 409,464</u>

AGRILAND, FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF INCOME

(dollars in thousands)

(unaudited)

	For the three months ended	
	March 31	
	2010	2009
<u>INTEREST INCOME</u>		
Loans	\$ 5,272	\$ 5,787
Investments	3	-
Other	15	6
Total interest income	<u>5,290</u>	<u>5,793</u>
<u>INTEREST EXPENSE</u>		
Note payable to the Bank	2,649	3,237
Net interest income	<u>2,641</u>	<u>2,556</u>
<u>PROVISION FOR LOSSES</u>		
Provision for loan losses	120	49
Net interest income after provision for	<u>2,521</u>	<u>2,507</u>
<u>NONINTEREST INCOME</u>		
Income from the Bank:		
Patronage income	353	205
Loan fees	97	255
Fees for financial related services	13	10
Gains on sale of other property owned, net	113	-
Other operating income	17	9
Total noninterest income	<u>593</u>	<u>479</u>
<u>NONINTEREST EXPENSES</u>		
Salaries and employee benefits	1,092	1,100
Directors' expense	91	68
Purchased services	99	103
Travel	57	51
Occupancy and equipment	59	73
Communications	22	27
Advertising	16	34
Public and member relations	19	44
Supervisory and exam expense	106	56
FCSIC insurance expense	75	163
Other operating expenses	62	109
Total noninterest expense	<u>1,698</u>	<u>1,828</u>
Income before taxes	<u>1,416</u>	<u>1,158</u>
(Benefit from) provision for income taxes	<u>(54)</u>	<u>4</u>
Net income	<u>\$ 1,470</u>	<u>\$ 1,154</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, 2008.....	\$ 2,754	\$ 2,313	\$ 13,897	\$ 26,963	\$ 155	\$ 46,082
Adjustment to beginning balance due to FAS No. 158 accounting change	-	-	-	-	-	-
Balance at January 1, 2008	<u>2,754</u>	<u>2,313</u>	<u>13,897</u>	<u>26,963</u>	<u>155</u>	<u>46,082</u>
Net Income.....	-	-	-	1,153	-	1,153
Comprehensive income:						
Change in unrealized gains (losses) on investment securities.....	-	-	-	-	-	-
Amortization of costs included in periodic retirement benefit costs.....	-	-	-	-	(18)	-
Actuarial gains (losses).....	-	-	-	-	-	-
Total comprehensive income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>(18)</u>
Capital stock/participation certificates issued.....	-	120	-	-	-	120
Capital stock/participation certificates retired.....	-	(119)	-	-	-	(119)
Patronage distribution:						
Cash.....	-	-	-	(87)	-	(87)
Allocated.....	-	-	456	(456)	-	-
Issue allocated stock.....	-	-	-	-	-	-
Distribution adjustment.....	-	-	-	718	-	718
Balance at March 31, 2009.....	<u>\$ 2,754</u>	<u>\$ 2,314</u>	<u>\$ 14,353</u>	<u>\$ 28,291</u>	<u>\$ 137</u>	<u>\$ 47,849</u>
Balance at December 31, 2009.....	\$ 2,754	\$ 2,216	\$ 20,367	\$ 22,809	\$ 82	\$ 48,228
Net Income.....	0	-	-	1,470	-	1,470
Comprehensive income:						
Change in unrealized gains (losses) on investment securities.....	-	-	-	-	-	-
Amortization of costs included in periodic retirement benefit costs.....	-	-	-	-	(17)	-
Actuarial gains (losses).....	-	-	-	-	-	-
Total comprehensive income.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17)</u>	<u>(17)</u>
Capital stock/participation certificates issued.....	-	80	-	-	-	80
Capital stock/participation certificates retired.....	-	(144)	-	-	-	(144)
Patronage distribution:						
Cash.....	-	-	-	(178)	-	(178)
Allocated.....	-	-	-	-	-	-
Issue allocated stock.....	-	-	-	-	-	-
Distribution adjustment.....	-	-	(4)	-	-	(4)
Balance at March 31, 2010.....	<u>\$ 2,754</u>	<u>\$ 2,152</u>	<u>\$ 20,363</u>	<u>\$ 24,101</u>	<u>\$ 65</u>	<u>\$ 49,435</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, 2010, the Bank and related Associations 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 and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on the Association’s financial condition and results of operations but resulted in additional disclosures.

In June 2009, the FASB issued guidance on “Accounting for Transfers of Financial Assets,” which amends previous guidance by improving the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets.

This guidance is effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date. Additionally, on and after the effective date, the concept of a qualifying special purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. If the evaluation on the effective date results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. The Association reviewed its loan participation agreements to ensure that participations would meet the requirements for sales treatment and there are no special-purpose entities that would require consolidation. The impact of adoption on January 1, 2010 was immaterial to the Association’s financial condition and results of operations.

In June 2009, the FASB also issued guidance to improve financial reporting for those enterprises involved with variable interest entities, which amends previous guidance by requiring an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity’s economic performance.

This guidance is effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Association does not have any variable interest or controlling interest in a variable entity, thus there is no impact of adoption of the guidance.

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, 2010, are not necessarily indicative of the results to be expected for the year ended December 31, 2009. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2: INVESTMENTS

Mission-related and Other Investments Held-to-Maturity

A summary of the amortized cost and fair value of mission-related and other investment securities held-to-maturity is as follows:

	Weighted Average	
<u>March 31, 2010</u>	<u>Fair Value</u>	<u>Yield</u>
Asset-backed securities	\$ 15,343	5.80%
Total	\$ 15,343	5.80%

	Weighted Average	
<u>December 31, 2009</u>	<u>Fair Value</u>	<u>Yield</u>
Asset-backed securities	\$ -	0.00%
Total	\$ -	0.00%

NOTE 3: 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:

	<u>March 31</u>	
	<u>2010</u>	<u>2009</u>
Balance beginning of quarter	\$ 4,566	\$ 2,425
Provision for loan losses	120	49
Charge-Offs	(1,219)	(415)
Recoveries	103	8
Balance at end of quarter	\$ 3,570	\$ 2,067

The following table presents information concerning impaired loans.

	<u>March 31</u>	
	<u>2010</u>	<u>2009</u>
Impaired loans with related allowance	\$ 4,167	\$ 4,119
Impaired loans with no related allowance	14,347	12,972
Total impaired loans	\$ 18,514	\$ 17,091
Allowance on impaired loans	\$ 862	\$ 1,399
Average impaired loans	\$ 13,511	\$ 13,819
Interest income recognized on impaired loans	\$ 147	\$ 79

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at March 31, 2010.

NOTE 4: 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 5: INCOME TAXES

AgriLand, Farm Credit Services and its subsidiary are subject to federal and certain other income taxes. The Associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the Associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During 2009, the Association did not participate in a patronage program. 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 subsidiary, AgriLand, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971. The Association's adoption of FIN 48 has not created a liability for unrecognized tax benefits.

NOTE 6: FAIR VALUE MEASUREMENTS:

Authoritative guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 11 to the 2009 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a non-recurring basis at March 31, 2010 for each of the fair value hierarchy values are summarized below:

<u>March 31, 2010</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>	<u>Total Gains (losses)</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Assets:					
Investments	\$ -	\$ -	\$ 15,343	\$ 15,343	\$ -
Loans*	-	-	3,310	3,310	-
Other Property Owned	-	-	5,100	5,100	-
<u>December 31, 2009</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>	<u>Total Gains (losses)</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Assets:					
Investments	\$ -	\$ -	\$ -	\$ -	\$ -
Loans*	-	-	3,599	3,599	-
Other Property Owned	-	-	4,713	4,713	-

* Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance, "Accounting by Creditors for Impairment of a Loan". The fair value was based upon the underlying collateral since these were collateral dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 11 to the 2009 Annual Report to Stockholders, authoritative guidance 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. For a more complete description, see Notes to the 2009 Annual Report.

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities are classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using quoted prices for similar securities received from pricing services, pricing models that utilize observable inputs or discounted cash flows. Generally, these securities are classified as Level 2. This would include certain mortgage-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 include asset-backed securities and certain mortgage-backed securities, including those issued by Farmer Mac.

Loans

For certain loans evaluated for impairment under authoritative guidance, 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 value. Cost to sell represent transaction costs and are not included as a component of the assets fair value.

NOTE 7: EMPLOYEE BENEFIT PLANS

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

	March 31	March 31
	2010	2009
Service cost	\$ 5	\$ 5
Interest cost	25	25
Amortization of:		
Unrecognized prior service costs	(32)	(32)
Unrecognized net (gain) loss	15	14
Net periodic benefit cost	<u>\$ 13</u>	<u>\$ 12</u>

The Association previously disclosed in its financial statements for the year ended 2009 that it expected to contribute \$549 to its defined pension plan in 2010. As of March 31, 2010, \$137 of contributions have been made. The Association presently anticipates contributing an additional \$412 to fund its defined pension plan in 2010 for a total \$549.

NOTE 8: 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: \$33,252

NOTE 9: SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 10, 2010, which is the date the financial statements were available to be issued, and noted that there are no subsequent events to report.

OFFICE LOCATIONS

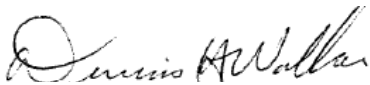
ADMINISTRATIVE OFFICE (903) 593-6609	3210 W.N.W. Loop 323 Tyler, Texas 75712
TYLER BRANCH OFFICE (903) 593-0151	6760 Old Jacksonville Hwy, Suite 105 Tyler, Texas 75703
ATHENS BRANCH OFFICE (903) 675-9388	520 East Tyler Athens, Texas 75751
NACOGDOCHES BRANCH OFFICE (936) 564-0448	2200 NW Stallings Drive 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 BRACH OFFICE (254) 389-8738	314Hwy 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 March 31, 2010.



May 10, 2010

Dennis Walker,
Chairman, Board of Directors

Date



May 10, 2010

Roger Brist,
Chief Executive Officer

Date