

American AgCredit, ACA

2011 Third Quarter Report to Shareholders

The shareholders' investment in American AgCredit, ACA is materially affected by the financial condition and results of operations of U.S. AgBank, FCB, (AgBank). The 2010 AgBank Annual Report to Shareholders, the 2010 AgBank District Annual Report to Shareholders, the AgBank quarterly shareholders' reports and the AgBank District quarterly shareholders' reports are available on AgBank's web site, www.usagbank.com, or may be obtained at no charge by calling American AgCredit at (800) 800-4865 or visiting the office at 200 Concourse Blvd. Santa Rosa, CA 95403.

Message to Stockholders

Dear Stockholder:

While the national economy continues to struggle, the Association is on track for another solid year of earnings. Commodities within our service territory have, for the most part, weathered the economic storm of the past year. The 2011 grape harvest now underway has been hampered by a short growing season due to weather conditions. Wineries are scaling back their inventories causing demand for grapes to fall. This is considered a short-term condition, however, and long-term prospects for the grape industry remain favorable. Milk prices have been improving for the past several months thanks to a weak dollar and higher export sales. Feed costs have increased as well, causing strain on profit margins. In the beef cattle industry, prices continue to be relatively high and wheat and other grains have maintained fairly strong prices in the face of international competition. The forest products and nursery industries have been hit hard by the housing slump and will likely continue to experience challenges until the national economy recovers. In summary, the portfolio of commodities financed by your Association has challenges that are not considered severe and opportunities for continued expansion and profitability. American AgCredit is favored with one of the most diverse agricultural loan portfolios in the country. This is especially important during periods of economic stress as the Association does not need to rely on any single commodity group to carry the weight of the entire portfolio. The advantage to you, our shareholders, is that you can rest assured that the Association will remain a stable, reliable source of financing for your operations for years to come.

The Association's H Stock program also offers a competitive investment alternative for our shareholders who need a liquid fund to park excess cash until operating conditions warrant new expenditures. The dividend rate on H stock is currently 0.50%. See your loan officer for additional information.

Financial Condition and Results of Operations: Third quarter income totaled \$20.4 million compared to \$15.6 million in the 2nd quarter. The Association reversed loan loss provision in the 3rd quarter of \$3.3 million. Non-interest income increased from \$2.4 million to \$4.4 million in the 3rd quarter. Operating costs decreased from \$19.3 million in the 2nd quarter to \$18.2 million. Return on average assets for the quarter was 1.81%. Accrual loan volume reached \$4.2 billion at Sept. 30, 2011. Non-accrual loans stand at \$76.1 million, an increase of \$4.9 million from the 2nd quarter. Nonaccrual loans represent 1.79% of total loan volume. At Sept. 30, 2010, accrual and nonaccrual volume stood at \$4.5 billion and \$64.3 million respectively. The merger with Farm Credit Services of the Heartland in November 2009 added approximately \$800 million in loan volume to the portfolio.

Proposed Merger – On September 22, 2010, the Board of Directors signed a Letter of Intent to merge with Mountain Plains Farm Credit, ACA headquartered in Greeley, Colorado. A shareholder disclosure package and voting material will be sent to every voting shareholder during the second week of November. A special stockholder's meeting has been called for November 22, 2011 to vote on the proposed merger. Please review the information provided in the shareholder disclosure package carefully. Your board of directors strongly recommends that you vote in favor of the merger. If you have any questions related to the proposed merger, please contact Ron Carli, CEO, at 1-800-800-4865.

Bank Merger – In November of 2010, the AgBank Board of Directors voted to pursue a merger with CoBank, ACB another Farm Credit System Bank. On September 8, 2011, AgBank and CoBank announced that their voting stockholders have approved the proposed plan of merger between the two banks. The Farm Credit Administration (FCA) had already granted preliminary approval to the transaction. Final approval from the FCA is expected following a statutorily required 35 day reconsideration period. The proposed merger is targeted to be effective on January 1, 2012. We do not expect there to be any material negative impact to our operations as a result of the merger.

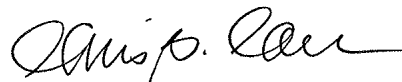
The undersigned certify that the 2011 3rd Quarter Shareholder Report has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Dave Santos
Chairman



Ron Carli
Chief Executive Officer



Chris B. Call
Chief Financial Officer

October 31, 2011

FINANCIAL STATEMENTS

(\$000s)

STATEMENT OF CONDITION	Sept. 30		Dec. 31	
	2011	2010	2010	2009
	Unaudited	Unaudited	Audited	Audited
ASSETS				
Loans	\$4,256,704	\$4,530,973	\$4,574,439	\$4,747,370
Less: allowance for loan losses	(15,798)	(20,202)	(18,227)	(12,293)
Net Loans	4,240,906	4,510,771	4,556,212	4,735,077
Investment in the U.S. AgBank	119,327	119,327	119,327	119,327
Investment in CoBank	15,320	13,598	13,598	11,622
Accrued interest receivable	51,997	58,117	42,167	44,792
Premises and equipment	33,780	32,431	32,664	27,829
Other Property Owned	13,667	24,797	25,739	4,626
Other Assets	26,473	20,876	36,538	39,901
Total Assets	<u>\$4,501,470</u>	<u>\$4,779,917</u>	<u>\$4,826,245</u>	<u>\$4,983,174</u>
LIABILITIES				
Note payable to U.S. AgBank	\$3,328,906	\$3,656,772	\$3,687,898	\$3,913,384
Note payable to CoBank	5,907	8,523	8,707	11,653
Funds Held Accounts	16,938	13,019	11,414	7,001
Accrued interest payable	12,486	15,760	15,841	17,598
Other liabilities	24,495	33,786	62,496	58,640
Total Liabilities	<u>\$3,388,732</u>	<u>\$3,727,860</u>	<u>\$3,786,356</u>	<u>\$4,008,276</u>
MEMBERS' EQUITY				
Common stock and participation certificates	\$6,195	\$6,448	\$6,371	\$6,722
Preferred stock	121,659	133,383	125,957	116,286
Additional Paid in Capital	206,226	206,226	206,226	206,226
Unallocated retained earnings	778,658	706,000	701,335	645,664
Total Members' Equity	<u>1,112,738</u>	<u>1,052,057</u>	<u>1,039,889</u>	<u>974,898</u>
Total Liabilities and Members' Equity	<u>\$4,501,470</u>	<u>\$4,779,917</u>	<u>\$4,826,245</u>	<u>\$4,983,174</u>
STATEMENT OF INCOME				
Unaudited	For the three months ended Sept. 30		For the nine months ended Sept. 30	
	2011	2010	2011	2010
Interest income	\$53,458	\$56,910	\$161,713	\$178,674
Interest expense	(20,807)	(25,575)	(64,383)	(78,453)
Net interest income	32,651	31,335	97,330	100,221
AgBank patronage dividend	-	-	19,514	-
Other income	4,394	5,938	15,678	25,665
Loan Loss (Provision)/Benefit	3,350	(318)	2,540	(13,078)
Operating and other expenses	(18,215)	(17,493)	(55,294)	(53,130)
Income before taxes	22,180	19,462	79,768	59,678
Benefit / (Provision) for income taxes	(1,754)	677	(2,277)	934
Net income	<u>\$20,426</u>	<u>\$20,139</u>	<u>\$77,491</u>	<u>\$60,612</u>

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

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the nine months ended September 30, 2010 and 2011

	Capital Stock	Preferred Stock	Additional Paid in Capital	Unallocated Retained Earnings	Total Members' Equity
Balance at December 31, 2009	\$6,722	\$116,286	\$206,226	\$645,664	\$974,898
Comprehensive Income					
Net income				60,612	60,612
Amortization of costs included in net periodic benefit cost				57	57
Total Comprehensive Income					60,669
Stock issued	291	104,504			104,795
Stock retired	(565)	(87,876)			(88,441)
Preferred stock dividends paid		469		(469)	-
Adjustment to patronage declared				136	136
Balance at September 30, 2010	<u>\$6,448</u>	<u>\$133,383</u>	<u>\$206,226</u>	<u>\$706,000</u>	<u>\$1,052,057</u>
Balance at December 31, 2010	\$6,371	\$125,957	\$206,226	\$701,335	\$1,039,889
Comprehensive Income					
Net income				77,491	77,491
Amortization of costs included in net periodic benefit cost				(21)	(21)
Total Comprehensive Income					77,470
Stock issued	334	105,471			105,805
Stock retired	(510)	(110,164)			(110,674)
Preferred stock dividends paid		395		(395)	-
Adjustment to patronage declared				248	248
Balance at September 30, 2011	<u>\$6,195</u>	<u>\$121,659</u>	<u>\$206,226</u>	<u>\$778,658</u>	<u>\$1,112,738</u>

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

Notes to the Financial Statements

(Unaudited)

NOTE 1 - Organization and Significant Accounting Policies

A description of the organization and operations of the American AgCredit, ACA (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2010 are contained in the 2010 Annual Report to Stockholders (2010 Annual Report) for American AgCredit, ACA. These unaudited third quarter 2011 financial statements of the Association should be read in conjunction with the 2010 Annual Report. The financial statements were prepared under the oversight of the audit committee of the board of directors. The 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 and prevailing practices within the banking industry. The results of operations for the nine-month period ended September 30, 2011 are not necessarily indicative of results to be expected for the full year.

In December 2010, U.S. AgBank, FCB (AgBank), American AgCredit, ACA's funding bank and CoBank executed a Letter of Intent to merge. The merged bank will continue to do business under the CoBank name and be headquartered in Colorado but will maintain AgBank's existing presence and operations in Wichita, Kansas, and Sacramento, California. In June 2011, the Farm Credit Administration (FCA) voted to grant preliminary approval of the proposed plan of merger between the two banks. The FCA serves as the independent regulator for both banks and the rest of the Farm Credit System. AgBank distributed disclosure and voting materials to its stockholder associations in July. On September 8, 2011, AgBank and CoBank announced that their voting stockholders have approved the proposed plan of merger between the two banks. Final approval from the FCA is expected following a statutorily required 35 day reconsideration period. The boards of the two banks have approved a merger effective date of January 1, 2012. The Association does not expect there to be any material negative impact to its operations as a result of the merger.

In September 2010, the Board of Directors signed a Letter of Intent to merge with Mountain Plains Farm Credit Services, ACA (Mountain Plains) headquartered in Greeley, Colorado. Under the terms of the letter, Mountain Plains would be merged into American AgCredit, and the new association would be headquartered in Santa Rosa, California and be called American AgCredit. A comprehensive disclosure package will be sent to stockholders of both organizations prior to a stockholder vote. The merger is not expected to be consummated until 2012.

In January 2010, the FASB issued guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurement by increasing transparency in financial reporting. The changes will provide a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurement. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this Standard did not impact the Association's financial condition or results of operations but did result in additional disclosures.

In July 2010, the FASB issued guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This guidance is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis (by portfolio segment and class of financing receivable) including among others, a rollforward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables, nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this Standard did not impact the Association's financial condition or results of operations, but did result in significant additional disclosures.

In January 2011, the FASB issued guidance entitled, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings." This guidance temporarily delayed the effective date of the disclosures about troubled debt restructurings required by the guidance previously issued on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." The effective date of the new disclosures about troubled debt restructurings (TDR) coincides with the guidance for determining what constitutes a TDR as described below.

In April 2011, the FASB issued its guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a TDR. In evaluating whether a restructuring is a TDR, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. For nonpublic entities, the guidance is effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The Association is currently evaluating the impact of adoption of this Standard on the financial condition or results of operations. The adoption will result in additional disclosures.

In May 2011, the FASB issued guidance entitled, "Fair Value Measurement - Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following:

1. Application of the highest and best use and valuation premise is only relevant when measuring the fair value of nonfinancial assets (does not apply to financial assets and liabilities.)
2. Aligning the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities. As a result, an entity should measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets.
3. Clarifying that a reporting entity should disclose quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy.
4. An exception to the requirement for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than its gross exposure, to those risks.
5. Clarifying that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value. Premiums or discounts related to size as a characteristic of the entity's holding (that is, a blockage factor) instead of as a characteristic of the asset or liability (for example, a control premium), are not permitted. A fair value measurement that is not a Level 1 measurement may include premiums or discounts other than blockage factors when market participants would incorporate the premium or discount into the measurement at the level of the unit of account specified in other guidance.
6. Expansion of the disclosures about fair value measurements. The most significant change will require entities, for their recurring Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures are required about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed.

The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted.

In June 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Comprehensive Income - Presentation of Comprehensive Income." This guidance is intended to increase the prominence of other comprehensive income in financial statements. The current option that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The main provisions of the guidance provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements:

- A single statement must present the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income.
- In a two-statement approach, an entity must present the components of net income and total net income in the first statement. That statement must be immediately followed by a financial statement that presents the

components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income.

This guidance is to be applied retrospectively. For public entities, it is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The adoption of this guidance will not impact financial condition or results of operations, but will result in changes to the presentation of comprehensive income.

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Compensation - Retirement Benefits - Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to a multiemployer pension plan and postretirement benefits other than pensions, which should help financial statement users better understand the financial health of significant plans in which the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer, and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2012 for non-public entities. The amendments should be applied retrospectively for all prior periods presented.

Certain amounts in the prior period's financial statements have been reclassified to conform to the current period's 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 (\$000):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
September 30, 2011					
Commercial paper, bankers' acceptances, certificates of deposit and other securities	\$1,033			\$1,033	6.85%
Total	\$1,033			\$1,033	
December 31, 2010					
Commercial paper, bankers' acceptances, certificates of deposit and other securities	\$1,127			\$1,127	6.85%
Total	\$1,127			\$1,127	

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of mission-related and other investments held to maturity at September 30, 2011 (\$000):

To	Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Commercial paper, bankers' acceptances, certificates of deposit and other securities	\$101	6.85%	\$619	6.85%	\$313	6.85%	\$1,033	6.85%
Total fair value	\$101		\$619		\$313		\$1,033	
Total amortized cost	\$101		\$619		\$313		\$1,033	

NOTE 3 - Capital

At September 30, 2011, the Association's regulatory capital ratio was 20.96%, which exceeds the minimum of 7.00% required by our regulators, the Farm Credit Administration.

Association shareholders have approved a class of preferred stock known as H Stock. At September 30, 2011 200 million shares of the stock are authorized at \$1.00 par value. H stock ownership is limited to existing common stockholders of the Association and is considered "at-risk". The stock bears a dividend rate that is set by the Board of Directors. Retirement of the stock is at the discretion of the Board. At September 30, 2011 there were 121,658,831 shares of H stock issued and outstanding. The dividend rate at September 30, 2011 was 0.50%.

NOTE 4 - Loans and Allowance for Loan Losses

A summary of loans (including related accrued interest) are as follows (\$000):

	<u>Sept. 30, 2011</u>	<u>Dec. 31, 2010</u>
Real estate mortgage	\$2,813,057	\$3,015,989
Production and intermediate term	651,481	792,238
Loans to cooperatives	539	1,746
Processing and marketing	712,198	673,424
Farm related business	120,401	122,427
Energy	5,729	4,910
Rural residential real estate	5,290	5,847
Total loans	<u>\$4,308,695</u>	<u>\$4,616,581</u>

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows (\$000):

	<u>Sept. 30, 2011</u>	<u>Dec. 31, 2010</u>
Nonaccrual loans:		
Real estate mortgage	\$54,592	\$57,572
Production and intermediate-term	5,554	5,843
Agribusiness	15,911	4,389
Total nonaccrual loans	<u>76,057</u>	<u>67,804</u>
Accruing restructured loans:		
Real estate mortgage	282	342
Total accruing restructured loans	<u>282</u>	<u>342</u>
Accruing loans 90 days or more past due:		
Real estate mortgage		
Production and intermediate-term	1,839	2,073
Agribusiness		
Total accruing loans 90 days or more past due	<u>1,839</u>	<u>2,073</u>
Total nonperforming loans	<u>78,178</u>	<u>70,219</u>
Other property owned	13,667	25,739
Total nonperforming assets	<u>\$91,845</u>	<u>\$95,958</u>

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable - assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) - assets are currently collectible but exhibit some potential weakness,
- Substandard - assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful - assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss - assets are considered uncollectible.

The determination of the allowance for loan losses is based on estimates that are susceptible to changes in the economic environment and market conditions, and is based on the Association's past loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral, and current economic conditions. Management believes that as of September 30, 2011, the allowance for loan losses is adequate based on information currently available.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	<u>Sept. 30, 2011</u>	<u>Dec. 31, 2010</u>
Real estate mortgage		
Acceptable	89.79%	89.39%
OAEM	6.00	6.11
Substandard/doubtful	4.21	4.50
	<u>100.00%</u>	<u>100.00%</u>
Production and intermediate-term		
Acceptable	81.26%	79.74%
OAEM	14.66	14.98
Substandard/doubtful	4.08	5.28
	<u>100.00%</u>	<u>100.00%</u>
Agribusiness		
Acceptable	89.53%	92.47%
OAEM	6.84	5.13
Substandard/doubtful	3.63	2.40
	<u>100.00%</u>	<u>100.00%</u>
Energy and water/waste disposal		
Acceptable	100.00%	100.00%
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.00%</u>	<u>100.00%</u>
Rural residential real estate		
Acceptable	91.19%	94.82%
OAEM	1.47	1.76
Substandard/doubtful	7.34	3.42
	<u>100.00%</u>	<u>100.00%</u>
Total Loans		
Acceptable	88.47%	88.29%
OAEM	7.45	7.45
Substandard/doubtful	4.08	4.26
	<u>100.00%</u>	<u>100.00%</u>

The following table provides an age analysis of past due loans (including accrued interest) as of Sept. 30, 2011:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	\$1,974	\$28,576	\$30,550	\$2,782,508	\$2,813,058	
Production and intermediate term	112	4,253	4,365	647,116	651,481	\$1,839
Loans to cooperatives				539	539	
Processing and marketing	1,771	1,496	3,267	708,931	712,198	
Farm-related business	7		7	120,394	120,401	
Energy and water/ waste disposal				5,729	5,729	
Rural residential real estate				5,289	5,289	
Total	\$3,864	\$34,325	\$38,189	\$4,270,506	\$4,308,695	\$1,839

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

Additional impaired loan information is as follows:

	At September 30, 2011			For the Three Months Ended September 30, 2011		For the Nine Months Ended September 30, 2011	
	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Impaired Loans</u>	<u>Interest Income Recognized</u>	<u>Average Impaired Loans</u>	<u>Interest Income Recognized</u>
Impaired loans with a related allowance for credit losses:							
Real estate mortgage	\$11,435	\$14,368	\$2,733	\$10,766		\$7,022	
Production and intermediate term	443	1,457	205	417		526	\$(2)
Processing and marketing	6,007	6,155	1,493	5,655		4,002	
Farm-related business	15	29	7	15		129	
Total	\$17,900	\$22,009	\$4,438	\$18,853		\$11,679	\$(2)
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	\$43,567	\$45,665		\$39,401	\$567	\$44,683	\$1,221
Production and intermediate term	6,822	7,740		11,010	(30)	11,506	217
Processing and marketing	9,654	10,582		9,102		5,320	
Farm-related business	235	1,224		192	13	831	13
Total	\$60,278	\$65,211		\$59,705	\$550	\$62,340	\$1,451
Total impaired loans:							
Real estate mortgage	\$55,002	\$60,033	\$2,733	\$50,167	\$567	\$51,705	\$1,221
Production and intermediate term	7,265	9,197	205	11,427	(30)	12,032	215
Processing and marketing	15,661	16,737	1,493	14,757		9,322	
Farm-related business	250	1,253	7	207	13	960	13
Total	\$78,178	\$87,220	\$4,438	\$76,558	\$550	\$74,019	\$1,449
	At December 31, 2010			For the Year Ended December 31, 2010			
	<u>Recorded Investment</u>	<u>Unpaid Principal Balance^a</u>	<u>Related Allowance</u>	<u>Average Impaired Loans</u>	<u>Interest Income Recognized</u>		
Impaired loans with a related allowance for credit losses:							
Real estate mortgage	\$7,274	\$11,131	\$1,535	\$6,851		\$48	
Production and intermediate term	684	1,833	386	640		-	
Farm-related business	195	258	187	186			
Total	\$8,153	\$13,222	\$2,108	\$7,677		\$48	
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	\$50,771	\$57,097		\$48,120		\$540	
Production and intermediate term	7,100	12,030		7,165		132	
Processing and marketing	2,951	22,021		2,773			
Farm-related business	1,244	4,210		1,146		20	
Total	\$62,066	\$95,358		\$59,204		\$692	
Total impaired loans:							
Real estate mortgage	\$58,045	\$68,228	\$1,535	\$54,971		\$588	
Production and intermediate term	7,784	13,863	386	7,805		132	
Processing and marketing	2,951	22,021		2,773			
Farm-related business	1,439	4,468	187	1,332		20	
Total	\$70,219	\$108,580	\$2,108	\$66,881		\$740	

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real estate mortgage	Production and intermediate term	Agribusiness	Energy and water/waste disposal	Rural residential real estate	Total
Allowance for Credit Losses:						
Balance at December 31, 2010	\$5,710	\$8,934	\$3,568	\$15		\$18,227
Charge-offs	(137)	(151)				(288)
Recoveries	146	214	38			398
Provision for loan losses	526	(3645)	544	31	5	(2,539)
Adjustment due to merger						
Other						
Balance at Sept 30, 2011	\$6,245	\$5,352	\$4,150	\$46	\$5	\$15,798
Ending Balance: individually evaluated for impairment	\$2,733	\$205	\$1500			\$4,438
Ending Balance: collectively evaluated for impairment	\$3,512	\$5,147	\$2,650	\$46	\$5	\$11,360
Ending Balance: loans acquired with deteriorated credit quality	\$906	\$402	\$5		\$7	\$1,320
Recorded Investments in Loans Outstanding:						
Ending Balance at Sept 30, 2011	\$2,813,057	\$651,481	\$833,138	\$5,729	\$5,290	\$4,308,695
Ending balance for loans individually evaluated for impairment	\$11,424	\$443	\$6,015			\$17,882
Ending balance for loans collectively evaluated for impairment	\$2,801,633	\$651,038	\$827,123	\$5,729	\$5,290	\$4,290,813
Ending balance for loans acquired with deteriorated credit quality	\$8,445	\$90	\$11		\$156	\$8,702

NOTE 5 - Purchased and Sold Loans

The Association, in the normal course of business, purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. All loans sold to others are sold without recourse. The following table presents information regarding participations purchased and sold during the quarter ended September 30, 2011 (in millions):

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$53,337	\$766,923	\$104,143	9,858	\$157,480	776,781
Production and intermediate term	39,210	716,019	11,700	23,697	50,910	739,716
Agribusiness	160,636	963,413	15,095		175,731	963,413
Energy	4,910				4,910	
Total	\$258,093	\$2,446,355	\$130,938	33,555	389,031	2,479,910

	Sept 30, 2011	Sept 30, 2010	Dec. 31, 2010
Loans purchased from others	\$389.0	\$570.4	\$545.9
Loans sold to others	\$2,479.9	\$2,399.4	\$2,549.4
Retained interest in sold loans	\$560.2	\$606.8	\$614.7
Syndications serviced for others	\$1,519.9	\$1,619.4	\$1,276.5

Loans sold to and serviced for Farmer Mac	\$0.3	\$0.3	\$0.4
---	-------	-------	-------

NOTE 6 - 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. See Note 2 to the 2010 Annual Report to Stockholders.

Assets and liabilities measured at fair value on a non-recurring basis at September 30, 2011 for each of the fair value hierarchy values are summarized below, (in 000s):

Assets:	Fair Value Measurement		
	Level 3	Using Total Fair Value	Total Gains/(Losses)
Loans	\$15,016	\$15,016	(\$2,871)
Other property owned	\$14,687	\$14,687	(\$1,198)
Loans acquired in merger	\$359,037	\$359,037	(\$3,867)
Liabilities:			
Debt acquired in merger	\$577,086	\$577,086	\$4,737

Valuation Techniques

Accounting 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 Associations' assets and liabilities.

Impaired Loans

For certain loans evaluated for impairment, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. These loans are generally classified as Level 3.

Loans and Debt acquired in merger

At the merger of American AgCredit and Farm Credit of the Heartlands on November 30, 2009, the Association acquired loans receivable and related notes payable. These assets and liabilities were recorded at their fair market value, as determined by discounting the expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit risk, on the date of merger. The fair market value has been amortized consistent with generally accepted accounting principles. The values shown in the table above represent the unamortized fair values of the assets and liabilities as of September 30, 2011.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral value. Costs to sell represent transaction costs and are not included as a component of the assets' fair value.

NOTE 7 - Contingencies

The Association has been named as defendant in a lawsuit, dated June 15, 2011, alleging damages of \$10 million related to foreclosure actions against a borrower. The complaint requests an injunction from pursuing foreclosure against any real estate collateral held by the Association for this borrower. Counsel for the Association believes the suit is without merit and plans to vigorously oppose the injunction and the allegations asserted in the complaint. No liability has been established in the accompanying financial statements for this event inasmuch as Association management considers the probability of prevailing in the case to be more likely than not.

NOTE 8 - Subsequent Events

The Association has evaluated subsequent events through October 31, 2011 which is the date the financial statements were issued.