

FIRST QUARTER 2008

Management's Discussion and Analysis of
Financial Condition and Results of Operations.....2

Consolidated Financial Statements

Consolidated Balance Sheets.....4

Consolidated Statements of Income.....5

Consolidated Statements of Changes in Members' Equity.....6

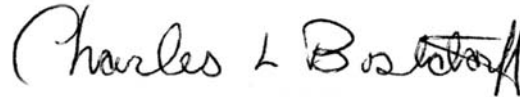
Notes to the Consolidated Financial Statements.....7



Neil L. Jordan
Chief Executive Officer



Daniel E. Ebert
Chief Financial Officer



Charles L. Bostdorff
Chairman of the Board

April 28, 2008

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Ag Credit, Agricultural Credit Association (Association) for the three months ended March 31, 2008. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2007 Annual Report of the Association. The accompanying consolidated financial statements (financial statements) were prepared under the oversight of the Audit Committee of the Board of Directors. For a list of the Audit Committee members, refer to the "Report of the Audit Committee" on page 21 in the 2007 Annual Report. The results for the first three months of 2008 are not necessarily indicative of results to be expected for the year.

The Association obtains funding from AgFirst Farm Credit Bank (the Bank). The Association is materially affected and shareholder investment could be affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, www.agfirst.com or may be obtained at no charge by calling 1-800-845-1745, extension 378, or writing Stephen Gilbert, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202.

Copies of the Association's Quarterly and Annual Reports are available on the Association's website, www.agcredit.net, or may be obtained upon request free of charge by calling 1-800-837-3678, extension 1023, or writing Dan Ebert, Chief Financial Officer, at Ag Credit, ACA, 610 W Lytle Street, Fostoria, OH 44830. The Association prepares an electronic version of the Quarterly Report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities, including general cash grain crops, livestock and horticultural products. These commodities totaled approximately \$614,014 or 78.4 percent of the loan portfolio as of March 31, 2008. Farm size varies and many of the

Association's borrowers have diversified operations. These factors, along with non-farm income and the use of loan guarantees somewhat offsets the level of commodity concentration risk in the Association's loan portfolio.

Gross loan volume of the Association as of March 31, 2008 was \$783,297, an increase of \$4,317 as compared to \$778,980 at December 31, 2007. The 0.55 percent increase in loan volume is related to an increase in real estate mortgage, processing and marketing and farm-related business loans. Production and intermediate term volume decreased during the period. This is typical for the first three months of the year. Production and intermediate term volume typically decreases during the first quarter of the year as borrowers pay down operating loan balances. This pay down is higher than normal for the first quarter of 2008 due to the additional liquidity experienced by members as a result of favorable cash grain prices and 2007 crop yields. Net loans outstanding at March 31, 2008 were \$779,487 as compared to \$775,480 at December 31, 2007. Net loans accounted for 95.8 percent of total assets at March 31, 2008 as compared to 95.0 percent at December 31, 2007.

There is an inherent risk in the extension of any type of credit. There are no significant potential credit risks identified within the loan portfolio that could adversely impact the performance of the portfolio in the near future. Portfolio credit quality remains strong and credit administration is satisfactory. Nonaccrual loans decreased by \$116 from \$957 at December 31, 2007 to \$841 at March 31, 2008. The decrease resulted from payments made on loans in nonaccrual status.

Association management maintains an allowance for loan losses sufficient to cover the possible losses in the loan portfolio based on current and expected future conditions. During the first three months of 2008 the Association recorded an increase in the allowance for loan losses of \$291 and recognized net recoveries of \$19. For the same period of 2007, the Association recorded a provision for loan loss of \$172 and recognized net recoveries of \$22. The allowance for loan losses was \$3,810 at March 31, 2008 compared to \$3,500 at December 31, 2007.

The Association continues to emphasize the use of loan guarantees to help manage capital and credit risk in the loan portfolio and to help reduce the potential for future loan losses. The guaranteed portion of loan volume outstanding as of March 31, 2008 was \$208,406 or 26.6 percent of loans.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2008 (Q1 2008) was \$4,642 for an increase of \$66 or 1.4 percent when compared to the net income of \$4,576 for the same period in 2007 (Q1, 2007). The increase in net income was primarily due to an increase in net interest income and an increase in noninterest income offset by increased provision for loan losses and noninterest expenses.

Net interest income for Q1 2008 increased by \$261 or 4.7 percent when compared to Q1 2007. The increase was mainly due to increased loan volume.

The Association recorded a provision for loan losses of \$291 and \$172 for Q1 2008 and Q1 2007, respectively.

Noninterest income is comprised of loan fee income, fees for financially related services (FRS), equity in earnings from the Bank and other noninterest income. The increase in noninterest income of \$250 is primarily attributed to a \$115 increase in loan fees and a \$113 increase in equity in earnings from the Bank. The increase in loan fee income primarily resulted from loan servicing fees generated by increased loan re-pricing activities. The equity in earnings from the Bank increased as a result of increased borrowing from the Bank to fund the increased loan activity previously discussed.

Noninterest expense for Q1 2008 was \$2,427 as compared to \$2,099 for Q1 2007. The \$328 or 15.6 percent increase is primarily a result of increased expenses for guaranteed loan fees, new employees, scheduled salary increases, insurance premiums, bank service charges, purchased services, travel, communications, data processing services, printing and supplies and employee training.

The provision for income taxes was \$37 and \$39 for Q1 2008 and Q1 2007, respectively.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. Additional information on the GFA, liquidity and funding process and funding management is found on pages 13 and 14 of the 2007 Annual Report. The total notes payable to the Bank at March 31, 2008 was \$664,952 as compared to \$672,745 at December 31, 2007. The \$7,693 or 1.1 percent decrease is primarily attributed to earnings, reduced accrued interest receivable and the receipt of the Bank's 2007 patronage refund to the Association.

CAPITAL RESOURCES

Total members' equity increased by \$5,354 or 4.2 percent to \$132,580 at March 31, 2008 as compared to the December 31, 2007 total of \$127,226. The increase is primarily related to current year earnings and an increase in capital stock and participation certificates.

At March 31, 2008, the Association's permanent capital ratio, total surplus ratio and core surplus ratio exceeded the regulatory minimum requirements of 7 percent, 7 percent and 3.5 percent, respectively. These ratios are calculated in accordance with Farm Credit Administration (FCA) regulations and are defined below:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. As of March 31, 2008 our ratio was 18.73 percent.
- The total surplus ratio is average unallocated and allocated surplus less any deductions made in the permanent capital divided by average risk-adjusted assets. As of March 31, 2008 our ratio was 17.26 percent.
- The core surplus ratio is average unallocated surplus and eligible allocated surplus less the Association's average investment in the Bank divided by average risk-adjusted assets. As of March 31, 2008 our ratio was 15.48 percent.

AgCredit Agricultural Credit Association
Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2008 <i>(unaudited)</i>	December 31, 2007 <i>(audited)</i>
Assets		
Cash	\$ 4,178	\$ 4,445
Loans	783,297	778,980
Less: allowance for loan losses	3,810	3,500
Net loans	779,487	775,480
Accrued interest receivable	16,100	18,248
Investment in other Farm Credit institutions	10,678	10,678
Premises and equipment, net	1,683	1,688
Due from AgFirst Farm Credit Bank	1,250	5,702
Other assets	447	349
Total assets	<u>\$ 813,823</u>	<u>\$ 816,590</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 664,952	\$ 672,645
Accrued interest payable	2,705	3,008
Patronage refund payable	125	7,172
Advanced conditional payments	855	342
Other liabilities	12,606	6,197
Total liabilities	<u>681,243</u>	<u>689,364</u>
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	9,932	9,171
Retained earnings		
Allocated	65,410	65,418
Unallocated	57,238	52,637
Total members' equity	<u>132,580</u>	<u>127,226</u>
Total liabilities and members' equity	<u>\$ 813,823</u>	<u>\$ 816,590</u>

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

AgCredit Agricultural Credit Association
Consolidated Statements of Income

(unaudited)

**For the three months
 ended March 31,**

(dollars in thousands)

	2008	2007
Interest Income		
Loans	\$ 14,086	\$ 13,791
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	8,231	8,197
Other	5	5
	8,236	8,202
Total interest expense		
Net interest income	5,850	5,589
Provision for loan losses	291	172
	5,559	5,417
Total interest expense		
Net interest income after provision for loan losses	5,559	5,417
Noninterest Income		
Loan fees	198	83
Fees for financially related services	57	41
Equity in earnings of other Farm Credit institutions	1,251	1,138
Other noninterest income	41	35
	1,547	1,297
Total noninterest income		
Net interest income after provision for loan losses	5,559	5,417
Noninterest Expense		
Salaries and employee benefits	1,374	1,300
Occupancy and equipment	154	153
Insurance Fund premium	214	195
Other operating expenses	685	451
	2,427	2,099
Total noninterest expense		
Income before income taxes	4,679	4,615
Provision (benefit) for income taxes	37	39
	4,642	4,576
Total noninterest expense		
Income before income taxes	4,679	4,615
Provision (benefit) for income taxes	37	39
	4,642	4,576
Total noninterest expense		
Net income	\$ 4,642	\$ 4,576

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

AgCredit Agricultural Credit Association

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)

	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
		Allocated	Unallocated	
Balance at December 31, 2006	\$ 9,241	\$ 58,986	\$ 51,076	\$ 119,303
Net income			4,576	4,576
Capital stock/participation certificates issued/(retired), net	36			36
Dividends declared/paid	(3)		(44)	(47)
Retained earnings retired		(3)		(3)
Patronage distribution adjustment		(1,566)	418	(1,148)
Balance at March 31, 2007	\$ 9,274	\$ 57,417	\$ 56,026	\$ 122,717
Balance at December 31, 2007	\$ 9,171	\$ 65,418	\$ 52,637	\$ 127,226
Net income			4,642	4,642
Capital stock/participation certificates issued/(retired), net	771			771
Dividends declared/paid	(10)		(37)	(47)
Retained earnings retired		(11)		(11)
Patronage distribution adjustment		3	(4)	(1)
Balance at March 31, 2008	\$ 9,932	\$ 65,410	\$ 57,238	\$ 132,580

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements include the accounts of Ag Credit Agricultural Credit Association (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2007, are contained in the 2007 Annual Report to Shareholders. These unaudited first quarter 2008 consolidated financial statements should be read in conjunction with the 2007 Annual Report to Shareholders.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP) and prevailing practices within the banking industry. The results for the three months ended March 31, 2008, are not necessarily indicative of the results to be expected for the year ending December 31, 2008.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period's consolidated financial statement presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2008, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In December 2007, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141R, "Business Combinations." SFAS No. 141R requires business combinations to be accounted for under the acquisition method of accounting (previously called the purchase method). The acquisition method requires (a) identifying the acquirer, (b) determining the acquisition date, (c) recognizing and measuring the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree, at their acquisition date fair values, and (d) recognizing and measuring goodwill or a gain from a bargain purchase. SFAS No. 141R should be applied

prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early application is prohibited. The Association is still evaluating the provisions of the Standard, but believes that its adoption will significantly impact its accounting for acquisitions that may occur in 2009 and beyond.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
	2008	2007
Balance at beginning of period	\$ 3,500	\$ 3,432
Provision for loan losses	291	172
Recoveries, net of loans charged off	19	22
Balance at end of period	<u>\$ 3,810</u>	<u>\$ 3,626</u>

NOTE 3 – EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the three months ended March 31,	
	2008	2007
Pension	\$ 95	\$ 122
401(k)	57	52
Other postretirement benefits	70	76
Total	<u>\$ 222</u>	<u>\$ 250</u>

As of March 31, 2008, no contributions have been made to the pension plan for 2008. The Association does not project making additional contributions for the remainder of 2008.

Market conditions could impact discount rates and return on plan assets which could change the above contribution projections by making additional contributions necessary before the next plan measurement date.