

**FARM CREDIT SERVICES  
OF THE MOUNTAIN PLAINS, ACA**



***QUARTERLY REPORT***  
***3RD QUARTER 2009***

# 2009 Third Quarter Report

## **FARM CREDIT SERVICES OF THE MOUNTAIN PLAINS, ACA**

Effective October 1991, the Farm Credit Administration issued regulatory changes which no longer require the distribution of the district Bank's quarterly report to shareholders of the associations under certain circumstances. The shareholders' investment in the Association is materially affected by the financial condition and results of operations of U.S. AgBank, FCB (the Bank). The 2008 AgBank Annual Report to Shareholders, the 2008 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](http://www.usagbank.com), or may be obtained at no charge by calling Farm Credit Services of the Mountain Plains, ACA, 4505 29th Street, Greeley, Colorado 80634, (970) 330-4071 or (800) 799-6545.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

(Dollars in Thousands, Except as Noted)  
(Unaudited)

The following commentary summarizes the principal aspects of the financial position and results of operations of Farm Credit Services of the Mountain Plains, ACA for the nine months ended September 30, 2009, with comparisons to prior periods. You should read these comments with the accompanying financial statements and footnotes, along with other disclosures contained in this report and the 2008 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The Association is a member of an alliance with other Farm Credit System entities in Colorado and New Mexico that was formed to pool resources to coordinate and enhance the marketing, servicing and making of large, complex commercial and mortgage loans in their respective chartered territories as well as other participated and syndicated loans through the establishment, support and operations of a special, shared lending unit. This shared lending unit is known as the AgriBusiness Finance Group (AFG).

### **LOAN PORTFOLIO**

Loans outstanding at September 30, 2009 totaled \$1,160,974, an increase of \$21,182, or 1.86%, from loans of \$1,139,792 at December 31, 2008. The increase was primarily due to new business development and increased net participation volume.

### **RESULTS OF OPERATIONS**

Net income for the nine months ended September 30, 2009 was \$6,332, a decrease of \$9,035, or 58.79%, from the same period ended one year ago. The decrease is primarily due to an increase in provision for loan losses, a decrease in patronage distributed from AgBank, and an increase in operating expenses.

Net interest income for the nine months ended September 30, 2009 was \$20,072, a decrease of \$561, or 2.72%, from the same period ended one year ago. Interest income and interest expense decreased as a result of a lower interest rate environment. Interest earned on funds held with AgBank decreased, resulting in lower net interest income.

Non interest income for the nine months ended September 30, 2009 was \$1,580, a decrease of \$2,841, or 64.26%, from the same period ended one year ago. This is primarily due to a reduction in patronage from AgBank offset by an increase in unused commitment and letter of credit fees. During the first quarter of 2009, we were notified by AgBank that they have changed their patronage program whereby patronage will be paid annually, after the end of the year, to its members. Previously, AgBank paid patronage quarterly. As a result, our patronage earnings compared to the previous period will be reduced during 2009.

Non interest expense for the nine months ended September 30, 2009 was \$10,206, an increase of \$1,074, or 11.76%, from the same period ended one year ago. Salaries and employee benefits increased as a result of annual performance increases and increased cost of employee benefits programs as well as a change in the timing of accruals. In prior years, incentive expenses were accrued in the final quarter of the year. Beginning in 2009, incentive expenses are being accrued for and recognized throughout the year. Farm Credit Insurance Fund premiums increased due to an increase in insurance rates as well as a change in the calculation methodology. Other non interest expense decreased due to a reduction in advertising, travel and outside appraiser expenses as well as due to an increase in deferred loan origination costs.

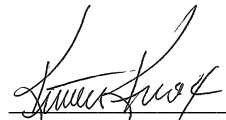
## CAPITAL RESOURCES

Our shareholders' equity at September 30, 2009 was \$251,063, an increase from \$244,640 at December 31, 2008. This increase is due to net income and increases in stock offset by the amortization of pension costs included in the net periodic benefit cost.

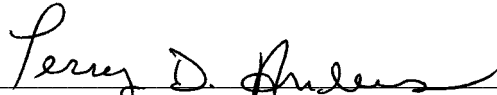
## OTHER MATTERS

The shareholders' investment in FCS of the Mountain Plains, ACA, is materially affected by the financial condition and results of operations of U.S. AgBank, FCB, (AgBank). The 2008 AgBank Annual Report to Shareholders, the 2008 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](http://www.usagbank.com), or may be obtained at no charge by calling (970) 330-4071 or (800) 799-6545 (4505 29th Street, Greeley, CO 80634).

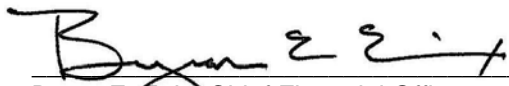
The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.



Kirvin Knox, Chairman  
October 22, 2009



Terry D. Anders, President  
October 22, 2009



Byron E. Enix, Chief Financial Officer  
October 22, 2009

**FCS OF THE MOUNTAIN PLAINS, ACA**  
**CONSOLIDATED STATEMENT OF CONDITION**  
(Dollars in Thousands)

|   | <b>September 30</b> | December 31         |
|---|---------------------|---------------------|
|   | <b>2009</b>         | 2008                |
|   | UNAUDITED           | AUDITED             |
| <b>ASSETS</b>                                     |                     |                     |
| Loans   | \$ 1,160,974        | \$ 1,139,792        |
| Less allowance for loan losses                    | 9,647               | 4,664               |
| Net loans   | 1,151,327           | 1,135,128           |
| Cash  | 2,997               | 10,971              |
| Accrued interest receivable                       | 11,466              | 10,177              |
| Investment in U.S. AgBank, FCB                    | 28,149              | 25,894              |
| Premises and equipment, net                       | 7,114               | 7,033               |
| Other property owned                              | 1,195               | -                   |
| Prepaid benefit expense                           | 1,458               | 1,557               |
| Deferred tax asset                                | 90                  | 90                  |
| Other assets                                      | 5,308               | 1,469               |
| <b>Total assets</b>                               | <b>\$ 1,209,104</b> | <b>\$ 1,192,319</b> |
| <b>LIABILITIES</b>                                |                     |                     |
| Note payable to U.S. AgBank, FCB                  | \$ 936,115          | \$ 917,003          |
| Advance conditional payments                      | 5,636               | 5,024               |
| Accrued interest payable                          | 7,159               | 9,107               |
| Patronage distributions payable                   | -                   | 6,000               |
| Accrued benefits liability                        | 456                 | 485                 |
| Other liabilities                                 | 8,675               | 10,060              |
| <b>Total liabilities</b>                          | <b>958,041</b>      | <b>947,679</b>      |
| <b>Commitments and contingencies</b>              |                     |                     |
| <b>SHAREHOLDERS' EQUITY</b>                       |                     |                     |
| Protected borrower stock                          | 41                  | 41                  |
| Capital stock                                     | 1,492               | 1,456               |
| Unallocated retained earnings                     | 249,853             | 243,521             |
| Accumulated other comprehensive loss              | (323)               | (378)               |
| <b>Total shareholders' equity</b>                 | <b>251,063</b>      | <b>244,640</b>      |
| <b>Total liabilities and shareholders' equity</b> | <b>\$ 1,209,104</b> | <b>\$ 1,192,319</b> |

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

**FCS OF THE MOUNTAIN PLAINS, ACA**  
**CONSOLIDATED STATEMENT OF INCOME**  
(Dollars in Thousands)

| UNAUDITED   | For the three months<br>ended September 30 |                 | For the nine months<br>ended September 30 |                  |
|---|--|-----------------|---|------------------|
|   | 2009                                       | 2008            | 2009                                      | 2008             |
| <b>INTEREST INCOME</b>                              |  |                 |   |                  |
| Loans   | \$ 14,973                                  | \$ 16,289       | \$ 45,054                                 | \$ 48,902        |
| <b>Total interest income</b>                        | <b>14,973</b>                              | <b>16,289</b>   | <b>45,054</b>                             | <b>48,902</b>    |
| <b>INTEREST EXPENSE</b>                             |  |                 |   |                  |
| Note payable to U.S. AgBank, FCB                    | 8,139                                      | 9,463           | 26,946                                    | 28,164           |
| Other   | 14   | 39              | 36  | 105              |
| <b>Total interest expense</b>                       | <b>8,153</b>                               | <b>9,502</b>    | <b>24,982</b>                             | <b>28,269</b>    |
| Net interest income                                 | 6,820                                      | 6,787           | 20,072                                    | 20,633           |
| Provision for loan losses                           | 1,431                                      | 5               | 5,108                                     | 548              |
| Net interest income after provision for loan losses | 5,389                                      | 6,782           | 14,964                                    | 20,085           |
| <b>NONINTEREST INCOME</b>                           |  |                 |   |                  |
| Financially related services income                 | 12   | 22              | 74  | 51               |
| Loan fees   | 140  | 202             | 785                                       | 547              |
| Patronage distribution from U.S. AgBank, FCB        | -  | 1,112           | 454                                       | 3,458            |
| Other noninterest income                            | 5  | 4               | 267                                       | 365              |
| <b>Total noninterest income</b>                     | <b>157</b>                                 | <b>1,340</b>    | <b>1,580</b>                              | <b>4,421</b>     |
| <b>NONINTEREST EXPENSE</b>                          |  |                 |   |                  |
| Salaries and employee benefits                      | 1,855                                      | 1,721           | 5,800                                     | 4,851            |
| Occupancy and equipment                             | 302  | 305             | 862                                       | 815              |
| Purchased services from AgVantis, Inc.              | 184  | 167             | 557                                       | 503              |
| Purchased services from U.S. AgBank, FCB            | -  | -               | -   | -                |
| Gain on other property owned, net                   | (21)                                       | -               | (21)                                      | -                |
| Farm Credit Insurance Fund premium                  | 528  | 440             | 1,604                                     | 1,233            |
| Merger costs  | -  | -               | -   | -                |
| Supervisory and examination costs                   | 86   | 85              | 259                                       | 255              |
| Other noninterest expense                           | 314  | 466             | 1,145                                     | 1,475            |
| <b>Total noninterest expense</b>                    | <b>3,248</b>                               | <b>3,184</b>    | <b>10,206</b>                             | <b>9,132</b>     |
| Income before income taxes                          | 2,298                                      | 4,938           | 6,338                                     | 15,374           |
| Provision for/(Benefit from) income taxes           | (1)  | 2               | 6   | 7                |
| <b>Net income</b>                                   | <b>\$ 2,299</b>                            | <b>\$ 4,936</b> | <b>\$ 6,332</b>                           | <b>\$ 15,367</b> |

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

**FCS OF THE MOUNTAIN PLAINS, ACA**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Dollars in Thousands)

| UNAUDITED   | Protected<br>Stock | Capital<br>Stock | Unallocated<br>Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income/(Loss) | Total<br>Shareholders'<br>Equity |
|---|--------------------|------------------|-------------------------------------|--|----------------------------------|
| <b>Balance at December 31, 2007</b>                                 | \$ 54              | \$ 1,462         | \$ 231,330                          | \$ (248)   | \$ 232,598                       |
| Adjustment to beginning balance due to<br>pension accounting change |                    |                  | \$ (34)                             |  |                                  |
| <b>Balance at January 1, 2008</b>                                   | \$ 54              | \$ 1,462         | \$ 231,296                          | \$ (248)   | \$ 232,598                       |
| Comprehensive income  |                    |                  |                                     |  |                                  |
| Net income  |                    |                  | 15,367                              |  |                                  |
| Change in retirement obligation                                     |                    |                  |                                     | 49   |                                  |
| Total comprehensive income  |                    |                  |                                     |  | 15,416                           |
| Stock issued  | -                  | 145              |                                     |  | 145                              |
| Stock retired   | (8)                | (147)            |                                     |  | (155)                            |
| <b>Balance at September 30, 2008</b>                                | \$ 46              | \$ 1,460         | \$ 246,663                          | \$ (199)   | \$ 247,970                       |
| <b>Balance at December 31, 2008</b>                                 | \$ 41              | \$ 1,456         | \$ 243,521                          | \$ (378)   | \$ 244,640                       |
| Comprehensive income  |                    |                  |                                     |  |                                  |
| Net income  |                    |                  | 6,332                               |  |                                  |
| Change in retirement obligation                                     |                    |                  |                                     | 55   |                                  |
| Total comprehensive income  |                    |                  |                                     |  | 6,387                            |
| Stock issued  | -                  | 113              |                                     |  | 113                              |
| Stock retired   | -                  | (77)             |                                     |  | (77)                             |
| <b>Balance at September 30, 2009</b>                                | \$ 41              | \$ 1,492         | \$ 249,853                          | \$ (323)   | \$ 251,063                       |

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

**FCS OF THE MOUNTAIN PLAINS, ACA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Dollars in Thousands)

| UNAUDITED   | For the nine months<br>ended September 30 |           |
|---|---|-----------|
|   | 2009                                      | 2008      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |   |           |
| Net income  | \$ 6,332                                  | \$ 15,367 |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |           |
| Depreciation  | 477                                       | 435       |
| Provision for loan losses   | 5,108                                     | 548       |
| Gains on sales of premises and equipment  | (9)                                       | (17)      |
| Change in assets and liabilities:   |   |           |
| Increase in accrued interest receivable   | (1,289)                                   | (2,117)   |
| Decrease in prepaid benefit expense   | 99  | 183       |
| (Increase)/Decrease in other assets   | (3,839)                                   | 216       |
| Decrease in accrued interest payable  | (1,948)                                   | (1,350)   |
| Increase/(Decrease) in accrued benefits liability                                 | (29)                                      | 18        |
| Decrease in other liabilities   | (1,330)                                   | (5,523)   |
| Total adjustments   | (2,760)                                   | (7,607)   |
| Net cash provided by operating activities   | 3,572                                     | 7,760     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |   |           |
| Increase in loans, net  | (22,502)                                  | (108,770) |
| Increase in investment in U.S. AgBank, FCB  | (2,255)                                   | -         |
| Expenditures from sales of premises and equipment, net                            | (549)                                     | (1,277)   |
| Net cash used in investing activities   | (25,306)                                  | (110,047) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |   |           |
| Net draw on note payable to U.S. AgBank, FCB                                      | 19,112                                    | 102,899   |
| Increase in advance conditional payments  | 612                                       | 6,420     |
| Protected borrower stock retired  | -   | (8)       |
| Capital stock retired   | (77)                                      | (147)     |
| Capital stock issued  | 113                                       | 145       |
| Cash patronage distributions paid   | (6,000)                                   | (10,000)  |
| Net cash provided by financing activities   | 13,760                                    | 99,309    |
| Net decrease in cash  | (7,974)                                   | (2,978)   |
| Cash at beginning of year   | 10,971                                    | 7,047     |
| Cash at end of period   | \$ 2,997                                  | \$ 4,069  |
| <b>SUPPLEMENTAL INFORMATION:</b>  |   |           |
| Cash paid/(received) during the year for:   |   |           |
| Interest  | \$ 26,930                                 | \$ 29,619 |
| Income taxes  | \$ 151                                    | \$ 2      |
| <b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>      |   |           |
| Loans transferred to other property owned   | \$ 1,195                                  | \$ -      |
| Net charge-offs/(recoveries)  | \$ 125                                    | \$ 41     |
| Change in accumulated comprehensive income/loss                                   | \$ 55                                     | \$ 49     |

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

## NOTES TO FINANCIAL STATEMENTS

(Dollars in Thousands, Except as Noted)

(Unaudited)

### NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit Services of the Mountain Plains, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2008, are contained in the 2008 Annual Report to Shareholders. These unaudited third quarter 2009 financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

In May 2009, the FASB issued guidance, "Subsequent Events," 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. There are two types of subsequent events: the first type consists of events or transactions that provide additional evidence about conditions that existed at the balance sheet date (recognized subsequent events) and the second type consists of events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date (nonrecognized subsequent events). 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 guidance, which includes a required disclosure of the date through which an entity has evaluated subsequent events, was effective for interim or annual periods ending after June 15, 2009.

The accompanying 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 for the nine months ended September 30, 2009, are not necessarily indicative of the results to be expected for the year ended December 31, 2009.

### NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the allowance for loan losses follows.

|                              | September 30,<br>2009 | September 30<br>2008 |
|------------------------------|-----------------------|----------------------|
| Balance at beginning of year | \$ 4,664              | \$ 3,530             |
| Provision for loan losses    | 5,108                 | 548                  |
| Charge-offs                  | 153                   | 52                   |
| Recoveries                   | 28                    | 11                   |
| Balance at end of period     | \$ 9,647              | \$ 4,037             |

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following presents information relating to impaired loans including accrued interest.

|  | September 30,<br>2009 | September 30,<br>2008 |
|--|-----------------------|-----------------------|
| Impaired loans with related allowance    | \$10,139              | \$ -0-                |
| Impaired loans with no related allowance | 22,100                | 2,674                 |
| Total impaired loans                     | \$32,239              | \$ 2,674              |

Allowance on impaired loans \$ 3,955 \$ -0-

The following table summarizes impaired loan information.

|  | <b>For the nine months ended</b> |                       |
|--|----------------------------------|-----------------------|
|  | <b>September 30,<br/>2009</b>    | September 30,<br>2008 |
| Average impaired loans                       | <b>\$16,763</b>                  | \$ 2,709              |
| Interest income recognized on impaired loans | <b>\$ 89</b>                     | \$ 149                |

### NOTE 3 - 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 an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2 to the 2008 Annual Report to Shareholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

|   | <b>Fair Value Measurement Using</b> |                |                | <b>Total Fair Value</b> |
|---|-------------------------------------|----------------|----------------|-------------------------|
|   | <b>Level 1</b>                      | <b>Level 2</b> | <b>Level 3</b> |                         |
| <b>Assets:</b>                              |                                     |                |                |                         |
| Assets held in nonqualified benefits trusts | \$ 564                              | \$ -0-         | \$ -0-         | \$ 564                  |
| Total assets                                | \$ 564                              | \$ -0-         | \$ -0-         | \$ 564                  |

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

|                      | <b>Fair Value Measurement Using</b> | <b>Fair Value Measurement Using</b> |                | <b>Total Fair Value</b> | <b>Total Losses</b> |
|----------------------|-------------------------------------|-------------------------------------|----------------|-------------------------|---------------------|
|                      | <b>Level 1</b>                      | <b>Level 2</b>                      | <b>Level 3</b> |                         |                     |
| <b>Assets:</b>       |                                     |                                     |                |                         |                     |
| Loans                | \$ -0-                              | \$ -0-                              | \$ 7,682       | \$ 7,682                | \$ (3,983)          |
| Other property owned | \$ -0-                              | \$ -0-                              | \$ 1,299       | \$ 1,299                | \$ (19)             |

### Valuation Techniques

As more fully discussed in Note 2 to the 2008 Annual Report to Shareholders, 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 presents a brief summary of the valuation techniques used for the Association's assets and liabilities.

#### *Assets Held in Non-Qualified Benefits Trusts*

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

#### *Loans*

For certain loans evaluated for impairment under FASB 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. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

**NOTE 4 - SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through October 22, 2009, which is the date the financial statements were available to be issued.