*Ag***Georgia** *Farm Credit, ACA*

FIRST QUARTER 2014

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2014 quarterly report of *Ag***Georgia** *Farm Credit, ACA*, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and 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.

Jack C. Drew, Jr.
Chief Executive Officer

Carrie B. McCall
Chief Financial Officer

J. Dan Raines, Jr.
Chairman of the Board

May 9, 2014

*Ag***Georgia** *Farm Credit, ACA*

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2014. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of March 31, 2014, the internal control over financial reporting was effective based upon the COSO (1992) criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2014.

Jack C. Drew, Jr.
Chief Executive Officer

Carrie B. McCall
Chief Financial Officer

May 9, 2014

*Ag***Georgia** *Farm Credit, ACA*

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***Georgia** *Farm Credit, ACA* (Association or *Ag***Georgia**) for the period ended March 31, 2014. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2013 Annual Report 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 poultry, cotton, timber, peanuts and livestock. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2014 was $805,156, a decrease of $35,836 as compared to $840,992 at December 31, 2013. Net loans outstanding at March 31, 2014 were $795,737 as compared to $830,417 at December 31, 2013. This decrease in loan volume is related to tightening of credit standards and decreased demand for loans in a tight economy. Net loans accounted for 94.36 percent of total assets at March 31, 2014, as compared to 92.61 percent of total assets at December 31, 2013.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has declined but continues to be at an acceptable level, and credit administration remains satisfactory. Nonaccrual loans decreased from $41,064 at December 31, 2013 to $37,220 at March 31, 2014.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2014, was $9,419 compared to $10,575 at December 31, 2013, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2014

Net income for the three months ended March 31, 2014 totaled $4,392 as compared to $4,199 for the same period in 2013. This increase is primarily due to a reversal of allowance for loan losses of ($477) as compared to a provision for loan losses of $299 during the same period in 2013. The reversal of allowance for loan losses was due to a decline in volume as well as a reversal of a large specific reserve as a result of full liquidation of debt.

Non-interest income for the three months ended March 31, 2014, totaled $2,011, as compared to $2,532 for the same period of 2013. This difference is due primarily to a decrease in other noninterest income. Non-interest expense for the three months ended March 31, 2014 totaled $5,569, a decrease of $205 compared to the same period of 2013. The decrease is the result of decreased losses on other property owned as compared to the same period in 2013.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2014, was $606,786 as compared to $661,719 at December 31, 2013.

CAPITAL RESOURCES

Total members' equity at March 31, 2014 increased $3,823 to $219,729 from the December 31, 2013 total of $215,906. The increase is related to an increase in earnings retained in 2013.

Total capital stock and participation certificates were $3,742 on March 31, 2014, compared to $3,744 on December 31, 2013.

This decrease is attributed to the retirement of stock on loans liquidated in the normal course of business being greater than the issuance of stock on new loans.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk adjusted asset base. As of March 31, 2014, the Association's total surplus ratio and core surplus ratio were 25.50 percent and 22.50 percent, respectively, and the permanent capital ratio was 25.97 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2013 Annual Report to Shareholders for recently issued accounting pronouncements.

REGULATORY MATTERS

For the three months ended March 31, 2014, the FCA took no enforcement action against the Association.

On February 1, 2012 the FCA issued a letter of special supervision requiring the Association to address several concerns relative to credit quality and risk identification and mitigation. The Board of Directors has developed and approved a plan to address all of the concerns noted by FCA. The plan includes, but is not limited to, changes in underwriting standards and advance rates to mitigate credit risk and credit quality concerns, and establishing commodity concentration standards and implementing the Farmer Mac standby letter of credit program to mitigate commodity concentration risk, particularly in the poultry portfolio. Additionally, the plan implemented a requirement to secure government guarantees on all new loans for specialized operations.

On March 31, 2014, the FCA published an interim final rule rescinding all requirements for nonbinding advisory votes on senior officer compensation at System banks and associations. The comment period for the interim rule ended on April 30, 2014. A final effective date for the rule has not yet been published.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 478-987-8300 Ext. 120, writing Carrie McCall, Chief Financial Officer, *Ag***Georgia** Farm Credit, ACA, P.O. Box 1820, Perry, GA 31069, or accessing the website, *www.aggeorgia.com*. The Association prepares a 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 institution.

AgGeorgia Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2014	December 31, 2013
	(unaudited)	*(audited)*
Assets		
Cash	$ 117	$ 1,304
Loans	805,156	840,992
Allowance for loan losses	(9,419)	(10,575)
Net loans	795,737	830,417
Accrued interest receivable	8,115	10,920
Investments in other Farm Credit institutions	13,195	13,474
Premises and equipment, net	7,576	7,619
Other property owned	8,137	7,345
Accounts receivable	1,740	16,028
Other assets	8,695	9,607
Total assets	$ 843,312	$ 896,714
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 606,786	$ 661,719
Accrued interest payable	1,188	1,412
Patronage refunds payable	480	2,921
Accounts payable	1,023	984
Other liabilities	14,106	13,772
Total liabilities	623,583	680,808
Commitments and contingencies		
Members' Equity		
Protected borrower stock	7	8
Capital stock and participation certificates	3,742	3,744
Retained earnings		
Allocated	94,305	94,741
Unallocated	121,749	117,487
Accumulated other comprehensive income (loss)	(74)	(74)
Total members' equity	219,729	215,906
Total liabilities and members' equity	$ 843,312	$ 896,714

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

AgGeorgia Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2014	2013
Interest Income		
Loans	$ 10,976	$ 12,298
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	3,495	4,558
Net interest income	7,481	7,740
Provision for (reversal of allowance for) loan losses	(477)	299
Net interest income after provision for (reversal of allowance for) loan losses	7,958	7,441
Noninterest Income		
Loan fees	298	379
Fees for financially related services	6	7
Patronage refunds from other Farm Credit institutions	1,541	1,549
Gains (losses) on sales of premises and equipment, net	16	38
Gains (losses) on other transactions	6	10
Other noninterest income	144	549
Total noninterest income	2,011	2,532
Noninterest Expense		
Salaries and employee benefits	3,817	3,847
Occupancy and equipment	256	235
Insurance Fund premiums	184	184
(Gains) losses on other property owned, net	25	529
Other operating expenses	1,287	979
Total noninterest expense	5,569	5,774
Income before income taxes	4,400	4,199
Provision for income taxes	8	—
Net income	4,392	4,199
Other comprehensive income	—	—
Comprehensive income	$ 4,392	$ 4,199

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

AgGeorgia Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2012	$ 33	$ 3,889	$ 89,580	$ 107,979	$ (106)	$ 201,375
Comprehensive income				4,199		4,199
Protected borrower stock issued/(retired), net	(10)					(10)
Capital stock/participation certificates issued/(retired), net		(17)				(17)
Retained earnings retired			(431)			(431)
Patronage distribution adjustment			707	(741)		(34)
Balance at March 31, 2013	$ 23	$ 3,872	$ 89,856	$ 111,437	$ (106)	$ 205,082
Balance at December 31, 2013	$ 8	$ 3,744	$ 94,741	$ 117,487	$ (74)	$ 215,906
Comprehensive income				4,392		4,392
Protected borrower stock issued/(retired), net	(1)					(1)
Capital stock/participation certificates issued/(retired), net		(2)				(2)
Retained earnings retired			(522)			(522)
Patronage distribution adjustment			86	(130)		(44)
Balance at March 31, 2014	$ 7	$ 3,742	$ 94,305	$ 121,749	$ (74)	$ 219,729

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

*Ag***Georgia** *Farm Credit, ACA*

Notes to the Consolidated Financial Statements

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

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of *Ag***Georgia** *Farm Credit, ACA* (the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2013, are contained in the 2013 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, 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.

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

The results of any interim period are not necessarily indicative of the results to be expected for a full year.

Significant Accounting Policies

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified.

Recently Issued Accounting Pronouncements

In March 2014 The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-06, "Technical Corrections and Improvements Related to Glossary Terms (Master Glossary)." The amendments in this Update relate to glossary terms, cover a wide range of Topics in the Codification and are presented in four sections: Deletion of Master Glossary Terms, Addition of Master Glossary Term Links, Duplicate Master Glossary Terms, and Other Technical Corrections Related to Glossary Terms. These amendments did not have transition guidance and were effective upon issuance for both public entities and nonpublic entities.

In January 2014 the FASB issued ASU 2014-04, "Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40) - Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." The objective of the amendments in this Update is to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For entities other than public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. Early adoption is permitted.

Other recently issued accounting pronouncements are discussed in the 2013 Annual Report to Shareholders.

Note 2 — Loans and Allowance for Loan Losses

For a complete description of the Association's accounting for loans (including impaired loans and the allowance for loan losses) and definitions of loan types, see the 2013 Annual Report to Shareholders.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	March 31, 2014	December 31, 2013
Real estate mortgage	$ 403,598	$ 413,890
Production and intermediate-term	374,498	398,987
Loans to cooperatives	–	23
Processing and marketing	12,443	12,671
Farm-related business	2,409	4,510
Communication	4,189	2,772
Rural residential real estate	8,019	8,139
Total Loans	$ 805,156	$ 840,992

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present participation loan balances at periods ended:

	March 31, 2014							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 1,956	$ 20,494	$ –	$ –	$ –	$ –	$ 1,956	$ 20,494
Production and intermediate-term	5,720	8,864	–	–	439	–	6,159	8,864
Processing and marketing	5,828	–	–	–	–	–	5,828	–
Farm-related business	–	125	–	–	–	–	–	125
Communication	4,193	–	–	–	–	–	4,193	–
Total	$ 17,697	$ 29,483	$ –	$ –	$ 439	$ –	$ 18,136	$ 29,483

	December 31, 2013							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 1,961	$ 21,026	$ –	$ –	$ –	$ –	$ 1,961	$ 21,026
Production and intermediate-term	5,820	9,760	–	–	447	–	6,267	9,760
Processing and marketing	5,938	–	–	–	–	–	5,938	–
Farm-related business	–	1,500	–	–	–	–	–	1,500
Communication	2,775	–	–	–	–	–	2,775	–
Total	$ 16,494	$ 32,286	$ –	$ –	$ 447	$ –	$ 16,941	$ 32,286

A significant source of liquidity for the Association is the repayments and maturities of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end:

	March 31, 2014			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 24,656	$ 91,315	$ 287,627	$ 403,598
Production and intermediate term	100,869	131,791	141,838	374,498
Processing and marketing	4,348	2,162	5,933	12,443
Farm-related business	537	1,133	739	2,409
Communication	–	4,189	–	4,189
Rural residential real estate	470	1,900	5,649	8,019
Total Loans	$ 130,880	$ 232,490	$ 441,786	$ 805,156
Percentage	16.26%	28.87%	54.87%	100.00%

The following table shows loans and related accrued interest, classified under the FCA Uniform Loan Classification System, as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2014	December 31, 2013
Real estate mortgage:		
Acceptable	87.75%	86.80%
OAEM	6.07	6.13
Substandard/doubtful/loss	6.18	7.07
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	79.13%	79.81%
OAEM	10.39	10.30
Substandard/doubtful/loss	10.48	9.89
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	–%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	–%	100.00%
Processing and marketing:		
Acceptable	95.48%	95.63%
OAEM	4.52	4.37
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	March 31, 2014	December 31, 2013
Farm-related business:		
Acceptable	73.60%	84.98%
OAEM	26.40	14.98
Substandard/doubtful/loss	–	0.04
	100.00%	100.00%
Communication		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	83.23%	84.64%
OAEM	12.10	12.29
Substandard/doubtful/loss	4.67	3.07
	100.00%	100.00%
Total Loans:		
Acceptable	83.84%	83.63%
OAEM	8.15	8.17
Substandard/doubtful/loss	8.01	8.20
	100.00%	100.00%

The following tables provide an age analysis of past due loans and related accrued interest as of:

	March 31, 2014					
	30 Through 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 or More Past Due and Accruing Interest**
Real estate mortgage	$ 2,971	$ 4,879	$ 7,850	$ 399,985	$ 407,835	$ –
Production and intermediate-term	7,796	10,172	17,968	360,215	378,183	–
Processing and marketing	–	–	–	12,545	12,545	–
Farm-related business	–	–	–	2,452	2,452	–
Communication	–	–	–	4,192	4,192	–
Rural residential real estate	48	49	97	7,967	8,064	–
Total	$ 10,815	$ 15,100	$ 25,915	$ 787,356	$ 813,271	$ –

	December 31, 2013					
	30 Through 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 or More Past Due and Accruing Interest**
Real estate mortgage	$ 4,821	$ 6,258	$ 11,079	$ 408,363	$ 419,442	$ –
Production and intermediate-term	6,728	10,878	17,606	386,516	404,122	–
Loans to cooperatives	–	–	–	23	23	–
Processing and marketing	–	–	–	12,792	12,792	–
Farm-related business	–	2	2	4,571	4,573	–
Communication	–	–	–	2,775	2,775	–
Rural residential real estate	570	79	649	7,536	8,185	–
Total	$ 12,119	$ 17,217	$ 29,336	$ 822,576	$ 851,912	$ –

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

Nonperforming assets (including related accrued interest) and related credit quality statistics at period end were as follows:

	March 31, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	$ 13,842	$ 17,314
Production and intermediate-term	23,274	23,630
Loans to cooperatives	–	–
Processing and marketing	–	–
Farm-related business	–	2
Rural residential real estate	104	118
Total nonaccrual loans	$ 37,220	$ 41,064
Accruing restructured loans:		
Real estate mortgage	$ 7,986	$ 8,201
Production and intermediate-term	7,182	6,084
Rural residential real estate	134	–
Total accruing restructured loans	$ 15,302	$ 14,285
Accruing loans 90 days or more past due:		
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 52,522	$ 55,349
Other property owned	8,137	7,345
Total nonperforming assets	$ 60,659	$ 62,694
Nonaccrual loans as a percentage of total loans	4.62%	4.88%
Nonperforming assets as a percentage of total loans and other property owned	7.46%	7.39%
Nonperforming assets as a percentage of capital	27.61%	29.04%

The following table presents information related to impaired loans (including accrued interest) at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	March 31, 2014	December 31, 2013
Impaired nonaccrual loans:		
Current as to principal and interest	$ 15,708	$ 15,910
Past due	21,512	25,154
Total impaired nonaccrual loans	37,220	41,064
Impaired accrual loans:		
Restructured	15,302	14,285
Total impaired accrual loans	15,302	14,285
Total impaired loans	$ 52,522	$ 55,349

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	March 31, 2014			Quarter Ended March 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 5,250	$ 5,841	$ 1,269	$ 5,427	$ 38
Production and intermediate-term	15,073	19,085	3,137	15,582	110
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Rural residential real estate	49	60	2	51	–
Total	$ 20,372	$ 24,986	$ 4,408	$ 21,060	$ 148
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 16,578	$ 19,824	$ –	$ 17,138	$ 121
Production and intermediate-term	15,383	18,877	–	15,903	111
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Rural residential real estate	189	204	–	195	2
Total	$ 32,150	$ 38,905	$ –	$ 33,236	$ 234
Total impaired loans:					
Real estate mortgage	$ 21,828	$ 25,665	$ 1,269	$ 22,565	$ 159
Production and intermediate-term	30,456	37,962	3,137	31,485	221
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Rural residential real estate	238	264	2	246	2
Total	$ 52,522	$ 63,891	$ 4,408	$ 54,296	$ 382

	December 31, 2013			Year Ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 8,308	$ 9,402	$ 1,854	$ 9,745	$ 288
Production and intermediate-term	16,500	21,166	3,409	19,355	572
Farm-related business	–	–	–	–	–
Rural residential real estate	50	60	4	59	2
Total	$ 24,858	$ 30,628	$ 5,267	$ 29,159	862
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 17,207	$ 21,285	$ –	$ 20,184	$ 597
Production and intermediate-term	13,214	17,013	–	15,500	458
Farm-related business	2	705	–	2	–
Rural residential real estate	68	74	–	79	2
Total	$ 30,491	$ 39,077	$ –	$ 35,765	1,057
Total impaired loans:					
Real estate mortgage	$ 25,515	$ 30,687	$ 1,854	$ 29,929	$ 885
Production and intermediate-term	29,714	38,179	3,409	34,855	1,030
Farm-related business	2	705	–	2	–
Rural residential real estate	118	134	4	138	4
Total	$ 55,349	$ 69,705	$ 5,267	$ 64,924	1,919

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at each reporting period.

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Rural Residential Real Estate	Total
Allowance for credit losses:						
Balance at December 31, 2013	$ 3,860	$ 6,579	$ 101	$ 4	$ 31	$ 10,575
Charge-offs	(605)	(680)	–	–	(6)	(1,291)
Recoveries	227	385	–	–	–	612
Provision for loan losses	(136)	(340)	(9)	–	8	(477)
Balance at March 31, 2014	$ 3,346	$ 5,944	$ 92	$ 4	$ 33	$ 9,419
Balance at December 31, 2012	$ 4,589	$ 5,996	$ 369	$ –	$ 22	$ 10,976
Charge-offs	(135)	(660)	–	–	–	(795)
Recoveries	417	90	–	–	–	507
Provision for loan losses	(325)	656	(46)	4	10	299
Balance at March 31, 2013	$ 4,546	$ 6,082	$ 323	$ 4	$ 32	$ 10,987
Loans individually evaluated for impairment	$ 1,269	$ 3,137	$ –	$ –	$ 2	$ 4,408
Loans collectively evaluated for impairment	2,077	2,807	92	4	31	5,011
Balance at March 31, 2014	$ 3,346	$ 5,944	$ 92	$ 4	$ 33	$ 9,419
Loans individually evaluated for impairment	$ 1,854	$ 3,409	$ –	$ –	$ 4	$ 5,267
Loans collectively evaluated for impairment	2,006	3,170	101	4	27	5,308
Balance at December 31, 2013	$ 3,860	$ 6,579	$ 101	$ 4	$ 31	$ 10,575
Recorded investment in loans outstanding:						
Loans individually evaluated for impairment	$ 20,186	$ 30,460	$ 9	$ –	$ 238	$ 50,893
Loans collectively evaluated for impairment	387,649	347,723	14,988	4,192	7,826	762,378
Ending balance at March 31, 2014	$ 407,835	$ 378,183	$ 14,997	$ 4,192	$ 8,064	$ 813,271
Loans individually evaluated for impairment	$ 23,803	$ 28,819	$ 2	$ –	$ 118	$ 52,742
Loans collectively evaluated for impairment	395,639	375,303	17,386	2,775	8,067	799,170
Ending balance at December 31, 2013	$ 419,442	$ 404,122	$ 17,388	$ 2,775	$ 8,185	$ 851,912

**Includes the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about activity that occurred during the periods presented related to TDRs.

	Three months ended March 31, 2014			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 1,724	$ –	$ 1,724
Production and intermediate-term	–	4,834	–	4,834
Total	$ –	$ 6,558	$ –	$ 6,558

	Three months ended March 31, 2014				
	Post-modification Outstanding Recorded Investment				Effects of Modification
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Troubled debt restructurings:					
Real estate mortgage	$ –	$ 1,286	$ –	$ 1,286	$ –
Production and intermediate-term	–	3,851	–	3,851	–
Total	$ –	$ 5,137	$ –	$ 5,137	$ –

	Three months ended March 31, 2013			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 6,620	$ –	$ 6,620
Production and intermediate-term	–	1,940	–	1,940
Total	$ –	$ 8,560	$ –	$ 8,560

	Three months ended March 31, 2013				
	Post-modification Outstanding Recorded Investment				Effects of Modification
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Troubled debt restructurings:					
Real estate mortgage	$ –	$ 6,666	$ –	$ 6,666	$ –
Production and intermediate-term	–	2,023	–	2,023	–
Total	$ –	$ 8,689	$ –	$ 8,689	$ –

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended March 31,	
	2014	2013
Defaulted troubled debt restructurings:		
Real estate mortgage	$ –	$ 1,352
Production and intermediate-term	937	1,635
Rural residential real estate	–	–
Total	$ 937	$ 2,987

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Real estate mortgage	$ 14,122	$ 15,885	$ 6,136	$ 7,684
Production and intermediate-term	16,437	14,163	9,255	8,079
Processing and marketing	–	–	–	–
Rural residential real estate	169	39	35	39
Total Loans	$ 30,728	$ 30,087	$ 15,426	$ 15,802
Additional commitments to lend	$ 5	$ 5		

Note 3 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to AgFirst Farm Credit Bank (AgFirst or the Bank) represents borrowings by the Association primarily to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 4 — Members' Equity

Accumulated other Comprehensive Income

The following tables present activity related to AOCI for the periods presented:

	Changes in Accumulated Other Comprehensive income by Component *(a)*	
	Three Months Ended March 31,	
	2014	**2013**
Employee Benefit Plans:		
Balance at beginning of period	$ (74)	$ (106)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	–	–
Net current period other comprehensive income	–	–
Balance at end of period	$ (74)	$ (106)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	Three Months Ended March 31,		
	2014	**2013**	**Income Statement Line Item**
Defined Benefit Pension Plans:			
Periodic pension costs	$ –	$ –	See footnote 6.
Net amounts reclassified	$ –	$ –	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 5 — Fair Value Measurement

Fair value is defined 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.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 4.81 percent of the issued stock of the Bank as of March 31, 2014 net of any reciprocal investment. As of that date, the Bank's assets totaled $27.6 billion and shareholders' equity totaled $2.2 billion. The Bank's earnings were $88 million for the first three months of 2014. In addition, the Association has an investment of $889 related to other Farm Credit institutions.

The classifications within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

	Standby Letters of Credit			
	For the three months ended March 31,			
	2014		2013	
Balance at beginning of period	$	19	$	4
Issuances		1		–
Settlements		–		–
Balance at end of period	$	20	$	4

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Other Property Owned/Impaired Loans

Other property owned and impaired loans are valued using appraisals, market comparable sales, replacement costs and income and expense (cash flow) techniques. Certain unobservable inputs are used within these techniques to determine the level 3 fair value of these properties. The significant unobservable inputs are primarily sensitive only to industry, geographic and overall economic conditions, and/or specific attributes of each property.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value		Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$	57,470	Appraisal	Income and expense	*
				Comparable sales	*
				Replacement cost	*
				Comparability adjustments	*

** Ranges for this type of input are not useful because each collateral property is unique.*

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

The following tables present the carrying amounts and fair values of assets and liabilities that are measured at fair value on a recurring and nonrecurring basis, as well as those financial instruments not measured at fair value, for each of the hierarchy levels at the period ended:

	At or for the Three Months Ended March 31, 2014					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 256	$ 256	$ –	$ –	$ 256	
Recurring Assets	$ 256	$ 256	$ –	$ –	$ 256	
Liabilities:						
Standby letters of credit	$ 20	$ –	$ –	$ 20	$ 20	
Recurring Liabilities	$ 20	$ –	$ –	$ 20	$ 20	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 48,114	$ –	$ –	$ 48,114	$ 48,114	$ 179
Other property owned	8,137	–	–	9,356	9,356	100
Nonrecurring Assets	$ 56,251	$ –	$ –	$ 57,470	$ 57,470	$ 279
Other Financial Instruments						
Assets:						
Cash	$ 117	$ 117	$ –	$ –	$ 117	
Loans	747,623	–	–	748,799	748,799	
Other Financial Assets	$ 747,740	$ 117	$ –	$ 748,799	$ 748,916	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 606,786	$ –	$ –	$ 602,974	$ 602,974	
Other Financial Liabilities	$ 606,786	$ –	$ –	$ 602,974	$ 602,974	

	At or for the Year Ended December 31, 2013					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 259	$ 259	$ –	$ –	$ 259	
Recurring Assets	$ 259	$ 259	$ –	$ –	$ 259	
Liabilities:						
Standby letters of credit	$ 19	$ –	$ –	$ 19	$ 19	
Recurring Liabilities	$ 19	$ –	$ –	$ 19	$ 19	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 50,082	$ –	$ –	$ 50,082	$ 50,082	$ (3,951)
Other property owned	7,345	–	–	8,150	8,150	(4,578)
Nonrecurring Assets	$ 57,427	$ –	$ –	$ 58,232	$ 58,232	$ (8,529)
Other Financial Instruments						
Assets:						
Cash	$ 1,304	$ 1,304	$ –	$ –	$ 1,304	
Loans	780,335	–	–	782,802	782,802	
Other Financial Assets	$ 781,639	$ 1,304	$ –	$ 782,802	$ 784,106	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 661,719	$ –	$ –	$ 658,008	$ 658,008	
Other Liabilities	$ 661,719	$ –	$ –	$ 658,008	$ 658,008	

Note 6 — 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,	
	2014	2013
Pension	$ 1,090	$ 1,078
401(k)	86	72
Other postretirement benefits	167	160
Total	$ 1,343	$ 1,310

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

	Actual YTD Through 3/31/14	Projected Contributions For Remainder of 2014	Projected Total Contributions 2014
Pension	$ 12	$ 3,404	$ 3,416
Other postretirement benefits	143	457	600
Total	$ 155	$ 3,861	$ 4,016

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2014.

Further details regarding employee benefit plans are contained in the 2013 Annual Report to Shareholders.

Note 7 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 8 — Subsequent Events

The Association has evaluated subsequent events and has determined there are none requiring disclosure through May 9, 2014, which is the date the financial statements were issued.