

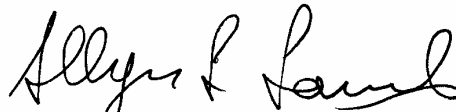
THIRD QUARTER 2008

TABLE OF CONTENTS

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

CERTIFICATION

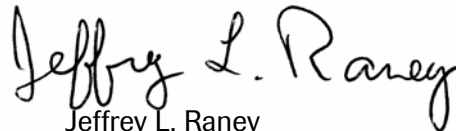
The undersigned certify that we have reviewed the September 30, 2008 quarterly report of AgChoice Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Allyn L. Lamb
Chief Executive Officer



Darrell L. Curtis
Chief Operating Officer
& Chief Financial Officer



Jeffrey L. Raney
Chairman of the Board

October 23, 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 AgChoice Farm Credit ACA, (Association) for the period ended September 30, 2008. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2007 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. Information in any part of this Quarterly Report may be incorporated by reference in answer or partial answer to any other item of the Quarterly Report.

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 dairy, livestock, poultry, and various crops, and also includes part-time farm and rural home loans. 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, impacts the level of dependency on a given commodity.

The gross loan volume of the Association as of September 30, 2008, was \$1,403,695, an increase of \$105,156 as compared to \$1,298,539 at December 31, 2007. Net loans outstanding at September 30, 2008, were \$1,397,756 as compared to \$1,294,239 at December 31, 2007. Net loans accounted for 95.7 percent of total assets at September 30, 2008, as compared to 95.6 percent of total assets at December 31, 2007.

The 8.1 percent increase in gross and 8.0 percent increase in net loan volume during the reporting period is primarily attributed to increases in loans from the local servicing area as well as loans purchased from other financial institutions (participation loans).

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. During the year a participation loan and a number of local service area loans were reclassified as nonaccrual loans. This contributed to the increase from \$4,412 at December 31, 2007, to \$14,135 at September 30, 2008. The Association continues efforts to work out of nonaccrual accounts or to assist such operations to return to accrual status.

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 was \$5,939 and \$4,300 at September 30, 2008 and December 31, 2007, respectively, and was considered by management to be adequate to cover possible losses. As a further means to reduce credit risk, as of September 30, 2008, the Association had loans amounting to \$73,472 under a long-term standby commitment from Farmer Mac to purchase these loans in the event of loan defaults.

RESULTS OF OPERATIONS

For the three months ended September 30, 2008

Net income for the three months ended September 30, 2008, totaled \$6,058, as compared to \$6,282 for the same period in 2007. Net interest income improved by \$166 for the three months ended September 30, 2008, as compared to the third quarter in 2007.

At September 30, 2008, interest income on accruing loans decreased \$2,425 compared to a year ago. Nonaccrual interest income was \$100 for the three months ended September 30, 2008, as compared to \$157 for the same period in 2007. Interest expense decreased \$2,648 for the three months ended September 30, 2008, as compared to the comparable period of 2007. The decrease in interest income and interest expense is due to the recent decrease in rates seen in the market place.

Increased risk in the portfolio relating to growth in nonaccrual accounts and operating pressure in certain commodities resulted in a \$180 provision for loan losses in the third quarter of 2008.

Noninterest income for the three months ended September 30, 2008, totaled \$3,415, as compared to \$3,395 for the same period of 2007 an increase of \$20. Loan fees income is down \$436 as compared to the same period in 2007, partially due to a deferral of note modification fee income from prior quarters. Equity in earnings of AgFirst Farm Credit Bank (the Bank) increased \$599 as a result of higher borrowing from the Bank to support the Association's loan growth and earnings from loans sold to the Bank. Losses on other property owned increased \$198 and included a write down on a particular asset.

Noninterest expense for the three months ended September 30, 2008, increased \$426 or 9.2 percent, compared to the same period of 2007. This increase is due to several items including salaries and employee benefits, investments in technology and operations, and also increased costs related to public and member relations, and advertising.

The benefit for income taxes was \$11 for the third quarter of 2008 as compared to a \$5 provision in the same period last year. The benefit is a result of reversing a slight overaccrual in tax expense at the end of 2007

For the nine months ended September 30, 2008

Net income for the nine months ended September 30, 2008, totaled \$18,905, as compared to \$17,842 for the same period in 2007. Net interest income increased \$673 for the nine months ended September 30, 2008, as compared to the same period one year ago.

At September 30, 2008, interest income on accruing loans decreased \$5,813 compared to a year ago. Nonaccrual interest income was \$183 for the nine months ended September 30, 2008, as compared to \$303 for the same period in 2007. Interest expense decreased \$6,606 for the nine months ended September 30, 2008, as compared to the comparable period of 2007. The decrease in interest income and interest expense is due to the decrease in rates seen in the market place this year.

Increased risk in the portfolio relating to growth in nonaccrual accounts and operating pressure in certain commodities resulted in a \$1,600 provision for loan losses in the first nine months of 2008, compared to a provision for loan losses of \$435 for the first nine months of 2007.

Noninterest income for the nine months ended September 30, 2008, totaled \$11,726, as compared to \$9,434 for the same period of 2007, an increase of \$2,292. Noninterest income was higher in 2008 partially due to stronger loan fee collections. Equity in earnings of AgFirst Farm Credit Bank (the Bank) increased \$1,852 as a result of higher borrowing from the Bank to support the Association's loan growth and earnings from loans sold to the Bank.

Noninterest expense for the nine months ended September 30, 2008, increased \$717, or 5.1 percent, compared to the same period of 2007. Salaries and employee benefits have increased \$281, or 3.6 percent. Insurance fund premiums increased \$41 compared to the same period in 2007. The increase of \$88 in Occupancy and equipment is partially attributable to increased spending on technology. The increase in other operating expenses includes investments in efficiency studies, and also increased costs related to public and member relations, and advertising.

The provision for income taxes was \$35 for the nine months ended September 30, 2008 as compared to \$15 in the same period last year.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with 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 September 30, 2008, was \$1,237,531 as compared to \$1,139,317 at December 31, 2007. The increase in notes payable is mainly due to the growth in loan volume.

CAPITAL RESOURCES

Total members' equity at September 30, 2008, increased to \$202,099 from the December 31, 2007, total of \$188,260. The increase is primarily attributed to year-to-date 2008 earnings reduced by the accrual for 2008 cash patronage.

Total capital stock and participation certificates were \$11,840 on September 30, 2008, compared to \$12,004 on December 31, 2007.

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 September 30, 2008, the Association's permanent capital and total surplus ratio were 11.50 percent and 10.66 percent, respectively, and the core surplus ratio was 9.40 percent. All three ratios were well above the minimum regulatory requirements of 7.00 percent for the permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

Note: Shareholder investment in the Association could be 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. 378, or writing Stephen Gilbert, 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 1-800-349-3568 or writing AgChoice Farm Credit, ACA, 900 Bent Creek Blvd., Mechanicsburg, PA, 17050, or accessing the website www.agchoice.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.

AgChoice Farm Credit, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2008 <i>(unaudited)</i>	December 31, 2007 <i>(audited)</i>
Assets		
Cash	\$ 410	\$ 163
Loans	1,403,695	1,298,539
Less: allowance for loan losses	5,939	4,300
Net loans	1,397,756	1,294,239
Loans held for sale	—	450
Accrued interest receivable	9,121	7,464
Investment in other Farm Credit institutions	33,355	28,812
Premises and equipment, net	4,132	3,931
Other property owned	794	309
Due from AgFirst Farm Credit Bank	9,326	11,854
Other assets	5,770	6,126
Total assets	\$ 1,460,664	\$ 1,353,348
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 1,237,531	\$ 1,139,317
Accrued interest payable	4,608	5,391
Patronage refund payable	4,700	6,833
Other liabilities	11,726	13,547
Total liabilities	1,258,565	1,165,088
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	11,840	12,004
Retained earnings		
Allocated	91,679	92,116
Unallocated	98,566	84,126
Accumulated other comprehensive income (loss)	14	14
Total members' equity	202,099	188,260
Total liabilities and members' equity	\$ 1,460,664	\$ 1,353,348

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

AgChoice Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Interest Income				
Loans	\$ 21,896	\$ 24,378	\$ 66,493	\$ 72,426
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	14,034	16,682	43,022	49,628
Net interest income	7,862	7,696	23,471	22,798
Provision for (reversal of allowance for) loan losses	180	180	1,600	435
Net interest income after provision for (reversal of allowance for) loan losses	7,682	7,516	21,871	22,363
Noninterest Income				
Loan fees	123	559	1,831	1,584
Fees for financially related services	181	142	529	333
Equity in earnings of other Farm Credit institutions	3,326	2,727	9,326	7,474
Gains (losses) on other property owned, net	(209)	(11)	(129)	(54)
Gains (losses) on sale of rural home loans, net	(1)	(7)	7	(18)
Other noninterest income	(5)	(15)	162	115
Total noninterest income	3,415	3,395	11,726	9,434
Noninterest Expense				
Salaries and employee benefits	2,774	2,596	8,154	7,873
Occupancy and equipment	325	307	891	803
Insurance Fund premium	448	459	1,407	1,366
Other operating expenses	1,503	1,262	4,205	3,898
Total noninterest expense	5,050	4,624	14,657	13,940
Income before income taxes	6,047	6,287	18,940	17,857
Provision (benefit) for income taxes	(11)	5	35	15
Net income	\$ 6,058	\$ 6,282	\$ 18,905	\$ 17,842

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

Ag Choice Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)

	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2006	\$ 11,906	\$ 83,341	\$ 78,613	\$ —	\$ 173,860
Net income			17,842		17,842
Capital stock/participation certificates issued/(retired), net	(238)				(238)
Dividends declared/paid	182		(182)		
Patronage distribution Cash			(4,740)		(4,740)
Retained earnings retired		(18)			(18)
Patronage distribution adjustment		(36)	68		32
Balance at September 30, 2007	\$ 11,850	\$ 83,287	\$ 91,601	\$ —	\$ 186,738
Balance at December 31, 2007	\$ 12,004	\$ 92,116	\$ 84,126	\$ 14	\$ 188,260
Net income			18,905		18,905
Capital stock/participation certificates issued/(retired), net	(260)				(260)
Dividends declared/paid	96		(96)		—
Patronage distribution Cash			(4,472)		(4,472)
Retained earnings retired		(48)			(48)
Patronage distribution adjustment		(389)	107		(282)
Employee benefit plans adjustments			(4)		(4)
Balance at September 30, 2008	\$ 11,840	\$ 91,679	\$ 98,566	\$ 14	\$ 202,099

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

AgChoice Farm Credit, ACA

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 AgChoice Farm Credit, ACA (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 third 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 nine months ended September 30, 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 September 30, 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 141R). SFAS 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 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 SFAS 141R, but believes that its adoption will significantly impact its accounting for combinations/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 nine months ended September 30,	
	2008	2007
Balance at beginning of period	\$ 4,300	\$ 4,000
Provision for (reversal of) loan losses	1,600	435
Loans (charged off), net of recoveries	39	(160)
Balance at end of period	<u>\$ 5,939</u>	<u>\$ 4,275</u>

NOTE 3 – COMMITMENTS AND CONTINGENT LIABILITIES

Actions are pending against the Association in which money damages are sought. However, on the basis of information now at hand, management and legal counsel are of the opinion that the ultimate liability, if any, resulting therefrom, would not be material in relation to the overall financial position of the Association.

NOTE 4 – EMPLOYEE BENEFIT PLANS

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

	For the nine months ended September 30,	
	2008	2007
Pension	\$ 474	\$ 731
401(k)	263	208
Other postretirement benefits	365	397
Total	<u>\$ 1,102</u>	<u>\$ 1,336</u>

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

	Actual YTD Through 9/30/08	Projected Contributions For Remainder of 2008	Projected Total Contributions 2008
Pension	\$ 14	\$ 5	\$ 19
Other postretirement benefits	254	45	299
Total	<u>\$ 268</u>	<u>\$ 50</u>	<u>\$ 318</u>

As of September 30, 2008, contributions of \$14 have been made to the pension plan for 2008. Actuarial projections as of the last plan measurement date (September 30, 2007) anticipated total contributions of \$19 for 2008. However, a new funding policy adopted during 2008 and a declining investment market, which has impacted the discount rate and the return on plan assets, will require an additional contribution to be made prior to the next plan measurement date at December 31, 2008. The additional contribution amount will be determined by the plan's Sponsor Committee.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS 158)*, which required the recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. The balance sheet recognition provisions of SFAS 158 were adopted at December 31, 2007 by the Association.

SFAS 158 also requires that employers measure the benefit obligation and plan assets as of the fiscal year end for fiscal years ending after December 15, 2008. In fiscal 2007 and earlier, a September 30 measurement date was used for pension and other postretirement benefit plans. The Standard provides two approaches for an employer to transition to a fiscal year end measurement date. The approach applied by the Association allows for the use of the measurements determined for the prior year end. Under this alternative, pension and other postretirement benefit expense measured for the three-month period October 1, 2007 to December 31, 2007 (determined using the September 30, 2007 measurement date) is reflected as an adjustment to beginning 2008 unallocated retained earnings. As a result, the Association decreased unallocated retained earnings and increased the pension liability by \$4.

Upon adoption, SFAS 158 further required the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of accumulated other comprehensive income (AOCI). These amounts are subsequently recognized as components of net periodic benefit costs. For the first nine months of 2008, \$0 has been recognized as a credit to AOCI and a debit to pension expense to reflect the amortization of the components previously recognized in AOCI.

Further details regarding employee benefit plans and adoption of SFAS 158 are contained in the 2007 Annual Report to Shareholders.