Progressive Farm Credit Services, ACA

Quarterly Report
September 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial position and consolidated results of operations of Progressive Farm Credit Services, ACA and its subsidiaries. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations. Our 2008 annual report should also be read for a description of our organization, operations and significant accounting policies.

AgriBank FCB's financial condition and results of operations materially affect shareholders' investment in Progressive Farm Credit Services, ACA. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report contact us at 1116 N. Main Street, Sikeston, Missouri 63801, (573) 471-0342, or via e-mail at progressivefcs@progressivefcs.com. You may also contact AgriBank, FCB at 375 Jackson Street, St. Paul, Minnesota 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank, FCB's website at www.agribank.com.

Loan Portfolio

Loan volume totaled $464.9 million at September 30, 2009, a $71.7 million increase from December 31, 2008. This increase is due to seasonal credit needs of our customers and ongoing marketing efforts.

The following table summarizes risk assets (accruing volume includes accrued interest receivable) and delinquency information (in thousands):

As of	**September 30 2009**	December 31 2008
Loans:		
Accruing restructured	**$ --**	$ --
Past due 90 days or more still accruing	**373**	1,344
Nonaccrual	**1,482**	1,537
Total risk loans	**$ 1,855**	$2,881
Other property owned	**--**	--
Total risk assets	**$ 1,855**	$2,881
Risk loans as a % of total loans	**0.4%**	0.7%
Total delinquencies as a % of total loans	**0.2%**	0.4%

Our risk assets have decreased from December 31, 2008, and remain at acceptable levels.

The decrease in risk assets was due to a decrease in loans past due 90 days or more still accruing. The volume of nonaccrual loans remained at an acceptable level at September 30, 2009, and represented .3% of our total portfolio. At September 30, 2009, 71.7% of our nonaccrual loans were current.

Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection.

The credit quality of our portfolio has declined from December 31, 2008 primarily due to the continued stress in the ethanol industry. Adversely classified assets increased from 2.2% of the portfolio at December 31, 2008, to 3.0% of the portfolio at September 30, 2009.

Adversely classified assets are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In some circumstances, we use various governmental guarantee programs to reduce the risk of loss. At September 30, 2009, $19.9 million of our loans were, to some level, guaranteed under these governmental programs.

Delayed planting and a cool wet growing season have affected expected cotton and rice yields this year. Other crops appear to have overcome most adverse conditions for "average" to "above average" yields. Commodity prices are significantly below 2008, but are above historical levels. However, input costs have also been above historical averages.

Concerns over the ethanol industry continue to be high as most plants continue to struggle to overcome past challenges while others have shut down.

While our analysis of impaired loans currently indicates adequate collateralization, given the continued weakness in the economy and the potential of more volatility in commodity and input costs, ongoing performance remains uncertain.

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, portfolio quality and current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

Allowance as a percentage of:	**September 30 2009**	December 31 2008
Loans	**0.1%**	0.1%
Nonaccrual loans	**35.6%**	13.1%
Total risk loans	**28.4%**	7.0%

The allowance as a percentage of nonaccrual loans and total risk loans increased from December 31, 2008, due to the current economic stress in the ethanol industry and environmental factors discussed above. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2009.

Results of Operations

Net income for the nine months ended September 30, 2009 totaled $5.1 million compared to $5.9 million for the same period of 2008. The following table illustrates profitability information:

As of September 30	2009	2008
Return on average assets	**1.6%**	1.9%
Return on average capital	**9.5%**	11.9%

The following table summarizes the changes in components of net income for the nine months ended September 30, 2009 compared to September 30, 2008 (in thousands):

Increase (decrease) in net income	2009 vs 2008
Net interest income	$495
Provision for loan losses	(329)
Patronage income	(221)
Financially related services and miscellaneous income, net	(338)
Operating expenses	(259)
Provision for income taxes	(175)
Total change in net income	($827)

Net interest income was $9.2 million for the nine months ended September 30, 2009. The following table quantifies changes in net interest income for the nine months ended September 30, 2009 compared to September 30, 2008 (in thousands):

Change in net interest income	2009 vs 2008
Changes in volume	$88
Changes in rates	424
Changes in nonaccrual income and other	(17)
Net change	$495

The change in the provision for loan losses is related to increases in specific reserves as well as general reserves related to certain higher risk loans and ethanol industry loans. The decrease in patronage income is related to a decrease in the patronage rate as set by AgriBank. The decrease in financially related services and miscellaneous income, net is related to a timing difference in multi-peril crop insurance income recognition. The operating expense increases were primarily related to salaries and employee benefits and FCS insurance expense. The change in provision for income taxes is related to an increase in taxable income.

Changes in our return on average assets and return on average members' equity are directly related to the changes in income discussed above, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Capital section below.

Funding, Liquidity and Capital

We borrow from AgriBank, FCB in the form of a line of credit. Effective May 11, 2009, our promissory note was renewed at $500.0 million. The maturity date is June 30, 2010. The note will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Total members' equity increased $4.2 million from December 31, 2008, due to net income for the period partially offset by patronage distribution accruals and an increase in capital stock and participation certificates.

Farm Credit Administration Regulations require us to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7% and a core surplus ratio of at least 3.5%. The calculation of these ratios according to Farm Credit Administration Regulations is discussed below:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At September 30, 2009, our ratio was 13.7%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At September 30, 2009, our ratio was 13.3%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank, FCB divided by average risk-adjusted assets. At September 30, 2009, our ratio was 12.7%.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained above and the changes in assets as further discussed in the Loan Portfolio section.

The undersigned certify they have reviewed Progressive Farm Credit Services, ACA's September 30, 2009 quarterly report and it has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Charles H. Parker
Chairperson of the Board
Progressive Farm Credit Services, ACA

Ronald C. Milbach
Chief Executive Officer
Progressive Farm Credit Services, ACA

Vernon D. Griffith
Chief Financial Officer
Progressive Farm Credit Services, ACA

November 9, 2009

CONSOLIDATED STATEMENT OF CONDITION

Progressive Farm Credit Services, ACA

(Dollars in thousands)

(Unaudited)

	September 30 2009	December 31 2008
ASSETS		
Loans	**$464,872**	$393,211
Allowance for loan losses	**527**	202
Net loans	**464,345**	393,009
Investment in AgriBank	**11,254**	11,090
Investment securities	**13,180**	14,803
Accrued interest receivable	**9,879**	8,565
Premises and equipment, net	**3,107**	2,117
Net deferred income tax asset	**85**	56
Other assets	**1,702**	1,554
Total assets	**$503,552**	$431,194
LIABILITIES		
Note payable to AgriBank	**$424,538**	$352,740
Accrued interest payable	**1,765**	2,895
Patronage distribution payable	**938**	3,010
Other liabilities	**2,420**	2,880
Total liabilities	**429,661**	361,525
Contingencies		
MEMBERS' EQUITY		
Protected members' equity	**6**	6
Capital stock and participation certificates	**1,900**	1,841
Unallocated surplus	**71,985**	67,822
Total members' equity	**73,891**	69,669
Total liabilities and members' equity	**$503,552**	$431,194

CONSOLIDATED STATEMENT OF INCOME

Progressive Farm Credit Services, ACA

(Dollars in thousands)

(Unaudited)

	Three Months		*Nine Months*	
Period ended September 30	**2009**	2008	**2009**	2008
Interest income	**$5,267**	$6,451	**$14,175**	17,835
Interest expense	**1,765**	3,241	**4,984**	9,139
Net interest income	**3,502**	3,210	**9,191**	8,696
Provision for loan losses	**(1)**	(2)	**321**	(8)
Net interest income after provision for loan losses	**3,503**	3,212	**8,870**	8,704
Other income				
Patronage income	**220**	304	**578**	799
Financially related services and miscellaneous income, net	**258**	688	**623**	961
Total other income	**478**	992	**1,201**	1,760
Operating expense				
Salaries and employee benefits	**931**	885	**2,723**	2,614
Other operating	**692**	638	**1,886**	1,736
Total operating expense	**1,623**	1,523	**4,609**	4,350
Income before income taxes	**2,358**	2,681	**5,462**	6,114
Provision for income taxes	**251**	90	**358**	183
Net income	**$2,107**	$2,591	**$5,104**	$5,931

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Progressive Farm Credit Services, ACA

(Dollars in thousands)

(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Surplus	Total Members' Equity
Balance at December 31, 2007	$6	$1,838	$62,613	$64,457
Net income	--	--	5,931	5,931
Earnings reserved for patronage distribution	--	--	(2,089)	(2,089)
Capital stock/participation certificates issued	--	135	--	135
Capital stock/participation certificates retired	--	(118)	--	(118)
Balance at September 30, 2008	$6	$1,855	$66,455	$68,316
Balance at December 31, 2008	$6	$1,841	$67,822	$69,669
Net income	**--**	**--**	**5,104**	**5,104**
Earnings reserved for patronage distribution	**--**	**--**	**(941)**	**(941)**
Capital stock/participation certificates issued	**--**	**138**	**--**	**138**
Capital stock/participation certificates retired	**--**	**(79)**	**--**	**(79)**
Balance at September 30, 2009	**$6**	**$1,900**	**$71,985**	**$73,891**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Organization and Significant Accounting Policies

Our 2008 annual report contains a description of our organization and operations, significant accounting policies followed, and financial condition and results of operations as of and for the year ended December 31, 2008. These unaudited third quarter 2009 consolidated financial statements should be read in conjunction with the 2008 annual report.

The accompanying consolidated financial statements contain all information necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and the prevailing practices within the financial services industry. The results of the nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the year ended December 31, 2009.

The consolidated financial statements present the consolidated financial results of Progressive Farm Credit Services, ACA (the parent) and Progressive Farm Credit Services, FLCA and Progressive Farm Credit Services, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recent Accounting Developments
Effective January 1, 2009, we adopted accounting guidance for fair value measurements of nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures, but did not have an impact on our financial condition or results of operations.

In April 2009, the FASB issued new guidance on investment fair value measurements and impairments. The new guidance is effective for interim periods ending after June 15, 2009, with early application permitted for periods ending after March 15, 2009. We adopted the guidance during the second quarter of 2009. The impact of adoption resulted in additional investment disclosures, but did not have an impact on our financial condition or results of operations.

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. Under this Standard, subsequent events that arise from conditions that existed at the date of the balance sheet are recognized in the financial statements, while subsequent events that arise from conditions that did not exist as of the balance sheet date are not recognized in the financial statements. This Standard, which includes a required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009.

NOTE 2: Loans and Investment Securities

The following table presents information concerning risk loans (in thousands):

As of September 30	2009	2008
Volume with specific reserves	$419	$ --
Volume without specific reserves	1,436	1,600
Total risk loans	$1,855	$1,600
Total specific reserves	$215	$ --

For the nine months ended September 30	2009	2008
Income on accrual risk loans	$15	$34
Income on nonaccrual loans	8	15
Total income on risk loans	$23	$49
Average recorded investment	$1,978	$1,297

Our investments are investment securities made up of pools of loans guaranteed by the Small Business Administration, as well as investment bonds that are a part of the 3-year Agricultural and Rural Community (ARC) bond pilot program. All securities have been classified as held-to maturity. The following table presents the book value, unrealized gain/loss and fair value of these investment securities (in thousands).

As of September 30	2009	2008
Book value	$13,180	$14,892
Gross unrealized gains	84	--
Gross unrealized losses	--	763
Estimated fair value	$13,264	$14,129
Weighted Average Yield	0.8%	2.8%

Investment income is recorded in interest income and totaled $90 thousand for the period ended September 30, 2009 and $233 thousand for the period ended September 30, 2008.

NOTE 3: Allowance for Loan Losses

A summary of changes in the allowance for loan losses follows (in thousands):

Nine months ended September 30	2009	2008
Balance at beginning of year	$202	$6
Provision for loan losses	321	(8)
Loan recoveries	4	2
Balance at end of period	$527	$0

The change in the allowance for loan losses is related to increases in specific reserves and general provision for loan losses related to certain higher risk loans and ethanol industry loans.

NOTE 4: Contingencies

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which are not reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

NOTE 5: Fair Value Measurements

The FASB guidance on "Fair Value Measurements and Disclosures" defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. The guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. See Notes 2 and 13 to the 2008 Annual Report to Stockholders for a more complete description.

We do not have any assets or liabilities measured at fair value on a recurring basis. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. The following table provides information on assets measured at fair value on a nonrecurring basis at September 30, 2009 (in thousands):

	Fair Value Measurement Using			Total Fair Value	Total Gains (Losses)
	Level 1	Level 2	Level 3		
Assets:					
Loans (1)	$0	$0	$214	$214	($214)

(1) Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. The fair value measurement would fall under level 2 of the hierarchy if the process uses independent appraisals and other market-based information. The fair value measurement would fall under level 3 of the hierarchy if the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral, and other matters. 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.

NOTE 8: Subsequent Events

We have evaluated subsequent events through November 9, 2009, which is the date the financial statements were issued.