



Progressive Farm Credit Services, ACA

Quarterly Report
June 30, 2010

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 2009 annual report should also be read for a description of our organization, operations and significant accounting policies.

AgriBank, FCB's (AgriBank) financial condition and results of operations materially affect shareholders' investment in Progressive Farm Credit Services, ACA. To request free copies of the AgriBank and 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 at 375 Jackson Street, St. Paul, Minnesota 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The AgriBank and combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank's website at www.agribank.com.

Loan Portfolio

Loan volume totaled \$479.3 million at June 30, 2010, a \$49.0 million increase from December 31, 2009. This increase is due to seasonal credit needs, interest rate environment, and ongoing marketing efforts.

Risk Assets

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

	June 30 2010	December 31 2009
As of:		
Loans:		
Accruing restructured	\$ --	\$ --
Past due 90 days or more still accruing	490	911
Nonaccrual	3,333	3,495
Total risk loans	3,823	4,406
Other property owned	210	210
Total risk assets	\$4,033	\$4,616
Risk loans as a % of total loans	0.8%	1.0%
Total delinquencies as a % of total loans	0.5%	0.4%

Our risk assets have decreased from December 31, 2009, and remain at acceptable levels.

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

The volume of nonaccrual loans remained at an acceptable level at June 30, 2010, and represented 0.7% of our total portfolio. At June 30, 2010, 85.1% of our nonaccrual loans were current.

Portfolio Credit Quality

The credit quality of our portfolio has increased from December 31, 2009. Adversely classified assets have decreased to 1.5% of the portfolio at June 30, 2010, from 2.7% of the portfolio at December 31, 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 June 30, 2010, \$24.5 million of our loans were, to some level, guaranteed under these governmental programs.

Agricultural and Economic Conditions

The national economy continues its slow recovery from the prolonged recession. However, considerable stress remains in the marketplace. Unemployment in our territory decreased slightly from a year ago to 9.7% compared to 10.4% in 2009. High unemployment rates could jeopardize reliance on off-farm incomes of some farming operations. Association non-accrual loan volume remains historically high.

Wheat yields were average, at best. The hot and dry June has caused significant stress for non-irrigated corn and beans. Some corn acres are already lost. Fuel costs for irrigation is above average.

Allowance for Loan Losses

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:

	June 30 2010	December 31 2009
Allowance as a percentage of:		
Loans	0.2%	0.2%
Nonaccrual loans	33.7%	28.2%
Total risk loans	29.4%	22.4%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2010.

Results of Operations

Net income for the six months ended June 30, 2010, totaled \$4.5 million compared to \$3.0 million for the same period of 2009. The following table illustrates profitability information:

As of June 30	2010	2009
Return on average assets	2.0%	1.5%
Return on average members' equity	11.3%	8.4%

The following table summarizes the changes in components of net income for the six months ended June 30, 2010, compared to the six months ended June 30, 2009 (in thousands):

Increase (decrease) in net income	2010 vs 2009
Net interest income	\$826
Provision for loan losses	187
Patronage income	73
Financially related services and miscellaneous income, net	615
Operating expenses	(14)
Provision for income taxes	(227)
Total change in net income	\$1,460

Net interest income was \$6.5 million for the six months ended June 30, 2010. The following table quantifies changes in net interest income for the six months ended June 30, 2010, compared to the six months ended June 30, 2009 (in thousands):

Change in net interest income	2010 vs 2009
Changes in volume	\$765
Changes in rates	58
Changes in nonaccrual income and other	3
Net change	\$826

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

The change in patronage income is related to increased patronage received based on our note payable due to an increase in the patronage rate.

The increase in financially related services and miscellaneous income, net is primarily due to our share of distributions from Allocated Insurance Reserve Accounts (AIRA) of \$457 thousand. These reserve accounts were established in previous years by the Farm Credit System Insurance Corporation when premiums collected increased the level of the Insurance Fund beyond the required 2% of insured debt.

The change in provision for income taxes is related to changes in income subject to tax.

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 in the form of a line of credit. Our promissory note matured on June 30, 2010, and was renewed for \$520.0 million with a maturity date of June 30, 2011. 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 \$3.8 million from December 31, 2009, due to net income for the period partially offset by patronage distribution accruals and a decrease 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 generally average at-risk capital divided by average risk-adjusted assets. At June 30, 2010, our ratio was 15.2%.
- The total surplus ratio is generally average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At June 30, 2010, our ratio was 14.8%.
- The core surplus ratio is generally average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank divided by average risk-adjusted assets. At June 30, 2010, our ratio was 14.2%.

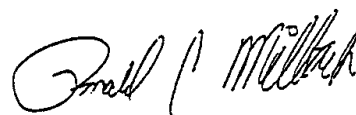
The capital adequacy ratios are directly impacted by the changes in capital as more fully explained above and the changes in assets as further discussed in the Loan Portfolio section.

Certification

The undersigned certify they have reviewed Progressive Farm Credit Services, ACA's June 30, 2010, quarterly report. It has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements. 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

August 4, 2010

CONSOLIDATED STATEMENT OF CONDITION*Progressive Farm Credit Services, ACA**(Dollars in thousands)**(Unaudited)*

	June 30	December 31
	2010	2009
ASSETS		
Loans	\$479,311	\$430,280
Allowance for loan losses	1,123	986
Net loans	478,188	429,294
Investment in AgriBank, FCB	11,730	11,353
Investment securities	11,163	12,474
Accrued interest receivable	6,810	6,745
Premises and equipment, net	3,035	3,095
Other property owned	210	210
Net deferred income tax asset	273	227
Other assets	1,552	1,973
Total assets	\$512,961	\$465,371
LIABILITIES		
Note payable to AgriBank, FCB	\$427,971	\$381,673
Accrued interest payable	1,716	1,693
Patronage distribution payable	625	1,250
Other liabilities	2,069	3,976
Total liabilities	432,381	388,592
MEMBERS' EQUITY		
Protected members' equity	2	5
Capital stock and participation certificates	1,890	1,923
Unallocated surplus	78,688	74,851
Total members' equity	80,580	76,779
Total liabilities and members' equity	\$512,961	\$465,371

CONSOLIDATED STATEMENT OF INCOME*Progressive Farm Credit Services, ACA**(Dollars in thousands)**(Unaudited)*

Period ended June 30	Three Months		Six Months	
	2010	2009	2010	2009
Interest income	\$5,119	\$4,557	\$9,808	\$8,908
Interest expense	1,716	1,609	3,293	3,219
Net interest income	3,403	2,948	6,515	5,689
Provision for loan losses	136	214	135	322
Net interest income after provision for loan losses	3,267	2,734	6,380	5,367
Other income				
Patronage income	230	187	431	358
Financially related services and miscellaneous income, net	337	177	980	365
Total other income	567	364	1,411	723
Operating expense				
Salaries and employees benefits	995	743	2,001	1,792
Other operating	437	592	999	1,194
Total operating expenses	1,432	1,335	3,000	2,986
Income before income taxes	2,402	1,763	4,791	3,104
Provision for income taxes	168	86	334	107
Net income	\$2,234	\$1,677	\$4,457	\$2,997

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY*Progressive Farm Credit Services, ACA**(Dollars in thousands)**(Unaudited)*

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2008	\$6	\$1,841	\$67,822	\$69,669
Net income	--	--	2,997	2,997
Unallocated surplus designated for patronage distributions	--	--	(628)	(628)
Capital stock/participation certificates issued	--	100	--	100
Capital stock/participation certificates retired	--	(60)	--	(60)
Balance at June 30, 2009	\$6	\$1,881	\$70,191	\$72,078
Balance at December 31, 2009	\$5	\$1,923	\$74,851	\$76,779
Net income	--	--	4,457	4,457
Unallocated surplus designated for patronage distributions	--	--	(620)	(620)
Capital stock/participation certificates issued	--	76	--	76
Capital stock/participation certificates retired	(3)	(109)	--	(112)
Balance at June 30, 2010	\$2	\$1,890	\$78,688	\$80,580

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 2009 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, 2009. These unaudited second quarter 2010 consolidated financial statements should be read in conjunction with the 2009 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 six months ended June 30, 2010, are not necessarily indicative of the results to be expected for the year ended December 31, 2010.

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, 2010, we adopted Financial Accounting Standards Board (FASB) guidance on "Fair Value Measurements and Disclosures," which improves disclosures about fair value measurements by increasing transparency in financial reporting. The guidance provides for a greater level of disaggregated information for assets and liabilities measured on a recurring basis and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on our financial condition and results of operations.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by providing clarification of the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The guidance also requires additional disclosure about transfers of financial assets and a transferor's continuing involvement with transferred assets. This guidance was effective as of January 1, 2010. This guidance must be applied to transfers occurring on or after the effective date. Adoption of this guidance did not have a material impact on our financial condition and results of operations.

NOTE 2: Investment Securities

We held investment securities of \$11.2 million at June 30, 2010, and \$12.5 million at December 31, 2009, consisting of investment securities made up of a portion of loans guaranteed by the Small Business Administration (SBA). The securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

The following table presents the amortized cost, unrealized gains and losses, and fair value of the investment securities (in thousands):

As of:	June 30 2010	December 31 2009
Amortized cost	\$11,163	\$12,474
Unrealized gains	139	101
Unrealized losses	(58)	(114)
Fair value	\$11,244	\$12,461
Weighted average yield	1.1%	0.9%

Investment income is recorded in "Interest income" on the Consolidated Statement of Income and totaled \$67 thousand for the six month period ended June 30, 2010, and \$58 thousand for the six month period ended June 30, 2009.

NOTE 3: Allowance for Loan Losses

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

Six months ended June 30	2010	2009
Balance at beginning of year	\$986	\$202
Provision for loan losses	135	322
Loan recoveries	2	3
Balance at end of period	\$1,123	\$527

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

As of:	June 30 2010	December 31 2009
Volume with specific reserves	\$3,169	\$3,326
Volume without specific reserves	654	1,080
Total risk loans	\$3,823	\$4,406
Total specific reserves	\$725	\$725
Six months ended June 30	2010	2009
Income on accrual risk loans	\$14	\$9
Income on nonaccrual loans	31	8
Total income on risk loans	\$45	\$17
Average recorded investment	\$4,221	\$2,019

NOTE 4: Contingencies

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be 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 in our 2009 annual report for a more complete description.

We do not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2010, or December 31, 2009. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (in thousands):

NOTE 6: Subsequent Events

We have evaluated subsequent events through August 4, 2010, which is the date the financial statements were available to be issued.

	Fair Value Measurement Using			Total Fair Value	Total Gain (Loss)
	Level 1	Level 2	Level 3		
June 30, 2010					
Loans	\$ --	\$ --	\$2,567	\$2,567	\$ --
Other property owned	--	--	218	218	--
December 31, 2009					
Loans	\$ --	\$ --	\$2,731	\$2,731	\$725
Other property owned	--	--	210	210	210

Loans: 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 collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.