GreenStone Farm Credit Services

ANNUAL REPORT 2013

GreenStone® FARM CREDIT SERVICES

FINANCIAL HIGHLIGHTS OF 2013

Members	23,000+
Total Assets (Owned and Managed)	$6.9 Billion
Total Loan Growth (Owned and Managed)	7.7%
Net Income	$135.1 Million
Cash Patronage to be paid to members in March 2014	$29 Million

MARCH 7, 2014 – MESSAGE FROM THE CEO AND BOARD CHAIR:

YIELDING RESULTS THROUGH COMMITMENT TO OUR MORE THAN 23,000 GREENSTONE MEMBERS

We are pleased to report that 2013 was another exceptional year for GreenStone Farm Credit Services. Some of 2013's highlights include record net earnings of just more than $135 million, owned and managed accrual loan growth on an average daily balance basis of more than 9 percent, customer satisfaction of approximately 96 percent satisfied or very satisfied, adversely classified assets of less than 3 percent, record patronage of $29 million declared for eligible members, with GreenStone staff contributing more than 4,000 hours of volunteer service to people and organizations in their local communities. These results and activities are just a few examples of your cooperative's financial strength and the integral part it plays in the rural communities it serves throughout Michigan and northeast Wisconsin.

As a member/owner of your association, you should be pleased that its earnings and capital base are strong in order to provide you with a competitive, dependable, and responsible source of credit in good and challenging times

2013 PERFORMANCE AND RESULTS

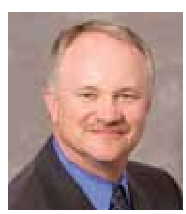
- Record net earnings of just more than $135 million
- Loan growth on an average daily balance basis of more than 9 percent
- Customer satisfaction of approximately 96 percent
- Adversely classified assets of less than 3 percent
- GreenStone staff contributed more than 4,000 hours of volunteer service to people and organizations in their local communities

alike for generations to come. In fact, we have included stories about members just like you who GreenStone has been privileged to serve during the ups and downs that are an inevitable part of the agricultural industry.

Of course, our success is a reflection of the hard work and commitment to the financial obligations of you, our members. While GreenStone is fortunate to have a very talented and professional staff that often goes the extra mile to serve its members, we would not be able to generate these business results year after year if our 23,000 members were not financially successful as well. We are very appreciative of your business and the faith you put in us to be your financial services provider.

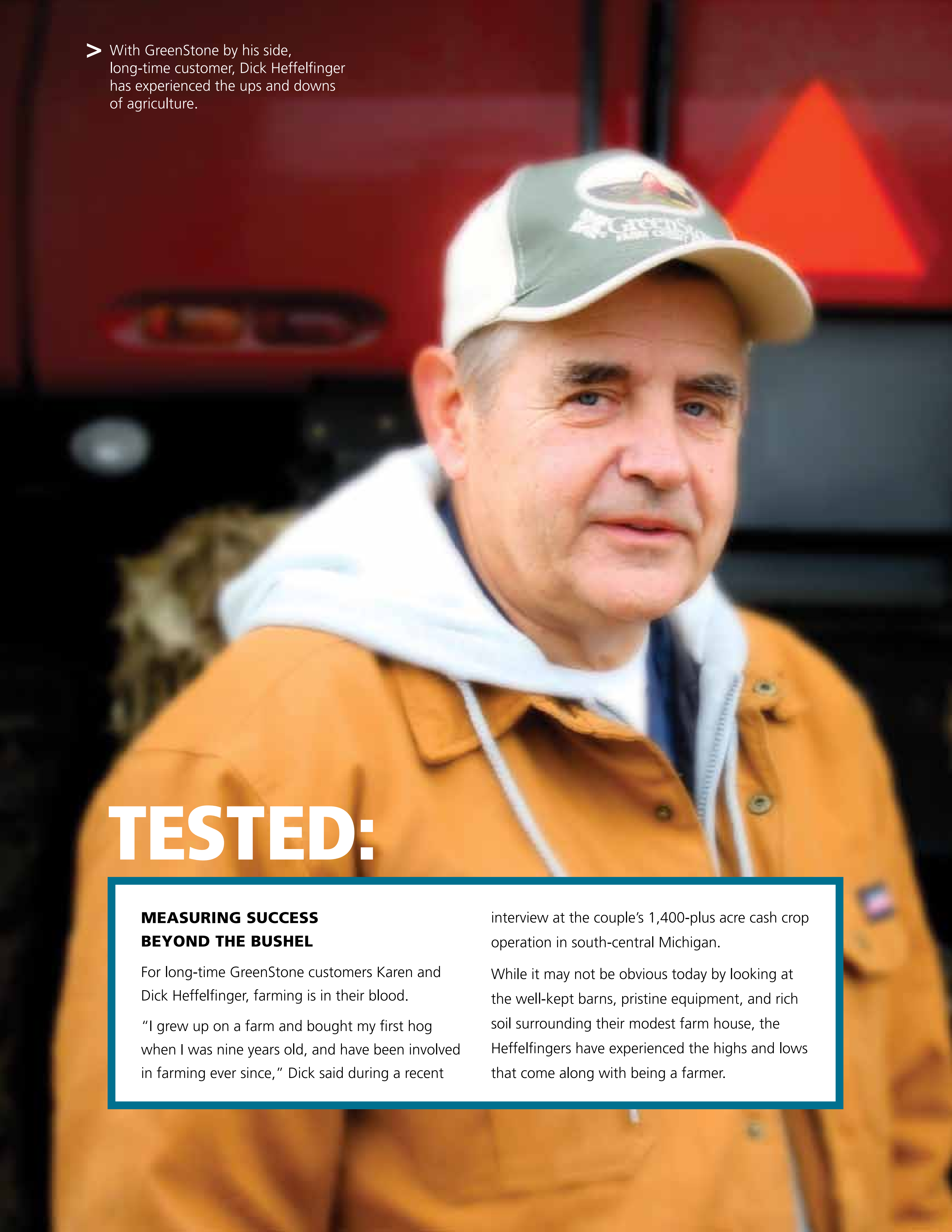
GreenStone is committed to providing its members with not only the most competitive financial products, but a wide array of offerings that meet the ever changing needs of a dynamic agricultural industry. We also seek to provide increasingly more convenient, secure, and efficient ways for you to do business with us, including a robust online banking platform, and our newly released mobile website that can be easily accessed and viewed by members on-the-go. In fact, GreenStone is the facilitating association for the BGM Technology Collaboration. The collaboration is a multi-state group of four Farm Credit associations whose collective asset base is in excess of $19 billion. This group is tasked with developing technology to provide exceptional service to members in the most efficient way possible. As the leader of this technology collaboration, GreenStone designs, builds, and now maintains more than 4 million lines of code for applications used in meeting the needs of not only our customers, but for internal operations as well. This is just another example of GreenStone's focus on being a forward thinking organization for the long term benefit of its customers.

We invite you to read this year's Annual Report and become more familiar with your organization. We hope you are as pleased with the contents of this report as we are. Yet, rest assured that we will not become complacent in our quest to exceed your expectations in the years to come. You, our owners, are the reason for our existence and we will never lose sight of that. Thank you for your business and the support you have given to GreenStone over the past year. We wish you the best of success in 2014 and beyond!



Scott A. Roggenbuck
Chairperson of the Board

David B. Armstrong
Chief Executive Officer



> With GreenStone by his side, long-time customer, Dick Heffelfinger has experienced the ups and downs of agriculture.

TESTED:

MEASURING SUCCESS BEYOND THE BUSHEL

For long-time GreenStone customers Karen and Dick Heffelfinger, farming is in their blood.

"I grew up on a farm and bought my first hog when I was nine years old, and have been involved in farming ever since," Dick said during a recent interview at the couple's 1,400-plus acre cash crop operation in south-central Michigan.

While it may not be obvious today by looking at the well-kept barns, pristine equipment, and rich soil surrounding their modest farm house, the Heffelfingers have experienced the highs and lows that come along with being a farmer.

CUSTOMER BILL OF RIGHTS:

AS A GREENSTONE CUSTOMER YOU HAVE THE RIGHT TO RECEIVE:

PERSONALIZED SERVICE

IMMEDIATE RESPONSE TO ALL REQUESTS

HONEST, FAIR AND IMPARTIAL TREATMENT

CONFIDENTIAL TREATMENT OF ALL INFORMATION

ACCURATE INFORMATION AND ADVICE


MX255
CASE IH

Early Years

Dick began renting farm land with his brother when he was just a sophomore in high school. Together, they farmed the land using their father's equipment, making the most of what they could off the land while planning for the next steps in their lives. For Dick, that meant mechanic's college where he could pursue his other passion of learning how to make and repair equipment.

After completing his coursework, Dick continued raising pigs while also holding a full-time job at a local equipment dealership. In 1968, Dick and his new bride, Karen, began operating their own farm full-time raising pigs near Bryan, Ohio.

As any farmer knows, starting off on your own is no easy task and Dick and Karen credit individuals who took chances on them early on for their success.

"We started with nothing," said Dick. "There were several individuals who helped us—they never gave us anything—they provided us with opportunities, and if they loaned us money, we paid it back."

As Dick and Karen looked to expand on their existing operation in the late 1970s and early 1980s, they ran into a problem facing many farmers. Increasing land prices and rent costs in their area made it financially impossible for them to grow.

Making a Move

No one has ever accused Dick of missing out on a good deal. Looking out his kitchen window he points at a red tractor and talks about the great deal he was able to get when he purchased it. After looking over the machine's maintenance records, he discovered that although it had been run for a high number of hours, there were no major issues with the machine. He purchased the tractor and, while they have had to make some minor repairs, it has been a reliable addition for his operation.

In 1982, the Heffelfingers were hunting for a different kind of bargain. They were shopping for a new farm to call home in Michigan after making the tough decision to sell their hogs and move north where they could expand at a more reasonable cost.

After farming near Quincy, Michigan for a year, the Heffelfingers made their way to their current farm in Reading, Michigan, where they still operate today. With the help of GreenStone, Dick and Karen purchased a total of 380 acres and rented roughly 600 more acres from area landowners in a turn-key deal put together with the help of their realtor.

"We were very fortunate that the people the previous owner were renting ground from stuck with us, because they had no idea who we were," said Karen.

Early on, things in Michigan looked pretty good. Dick managed the farm work with some assistance from Karen, while she was the full-time bookkeeper for the operation. They were raising their two children, Matt and Amy, and enjoying life growing corn and soybeans as a family. Financially, the family was doing well.

In 1985, things started a downward turn that would affect farmers around the country. Suddenly, by no fault of their own, Dick and Karen found themselves in an uncomfortable position of facing an economic hardship like none they had ever experienced before.

Weathering the Storm

Though the Heffelfingers could not see it at the time, in many ways the crisis was a perfect storm. Record land values, high interest rates, and declining exports all hit producers and lenders at the same time causing financial turbulence no one anticipated.

The Heffelfingers had been Farm Credit customers since the late 1960s and knew facing the challenge head-on was their only option for success.

Joe Draper (left) is transitioning into the Heffelfinger's operation and hopes to continue the success that Dick and Karen have built during their 30-plus years in Reading, Michigan.

MORE THAN A NUMBER

96%

2013 Customer Satisfaction Rating

GreenStone's commitment to our membership is the cornerstone of everything we do. In good times and challenging times, our team is dedicated to helping our members succeed. As evidenced by consistently high customer satisfaction ratings, that dedication has not gone unnoticed by our members. Thank you for taking the time to share your thoughts about GreenStone with our team. We are incredibly proud to serve you and be a partner in your success.

WORKING ON YOUR BEHALF

139

Relationship Managers

When you work with GreenStone, you can rest easy knowing that you are in good hands. From financial services officers and crop insurance specialists, to tax accountants, our staff members are experts in their fields. In fact, our 139 relationship managers have been part of the GreenStone team for an average of 13 years. That is dedication you can rely on.

As a lender dedicated to agriculture, GreenStone understood the struggle many members were facing during the financial crisis the agriculture industry experienced in the 1980s. The Heffelfingers worked hand-in-hand with GreenStone financial services officer, Paul Slagter, to weather the storm and stay in business.

"Our financial services officer knew us as individuals; he knew our work ethic," said Karen. "Even though the numbers on the balance sheet didn't look very pretty, Paul knew that we would hang in there and do the job. He helped keep us here."

While it was not easy, Dick and Karen worked tirelessly to get back to the financial security they had experienced when they first settled in Michigan. GreenStone played a key role in helping advise the couple through the challenging times; they describe the cooperative's staff as an extension of their family when it came time to make key decisions.

"Some people say farming is gambling... Well I say it's not gambling; it's faith. We will be provided for and if we take care of the land, it will take care of us."

"Paul was a good adviser. I used him like a dad, a father figure. I'd bounce ideas around with him and he would give me an honest opinion on what was best for our business," explained Dick. "He was the expert on finances. You surround yourself with experts because you don't know everything, and it will help keep you going in line."

Like millions of other farmers around the country, the challenges that Dick and Karen face go beyond just finances. The uncertainty of farming is not for the faint of heart, and can be overwhelming and discouraging.

"Our friends who don't farm have asked us 'How do you not get stressed?' and we tell them there isn't anything we can do about it, and worrying won't change it," explains Karen. "You live with it, take advantage of the good, and it will work out in the end."

"Some people say farming is gambling," says Dick. "Well I say it's not gambling; it's faith. We will be provided for and if we take care of the land, it will take care of us."

Transitioning

Given the opportunity, Dick and Karen would not change a thing about raising their children on the farm. As a family, they shared in the good times and tough times.

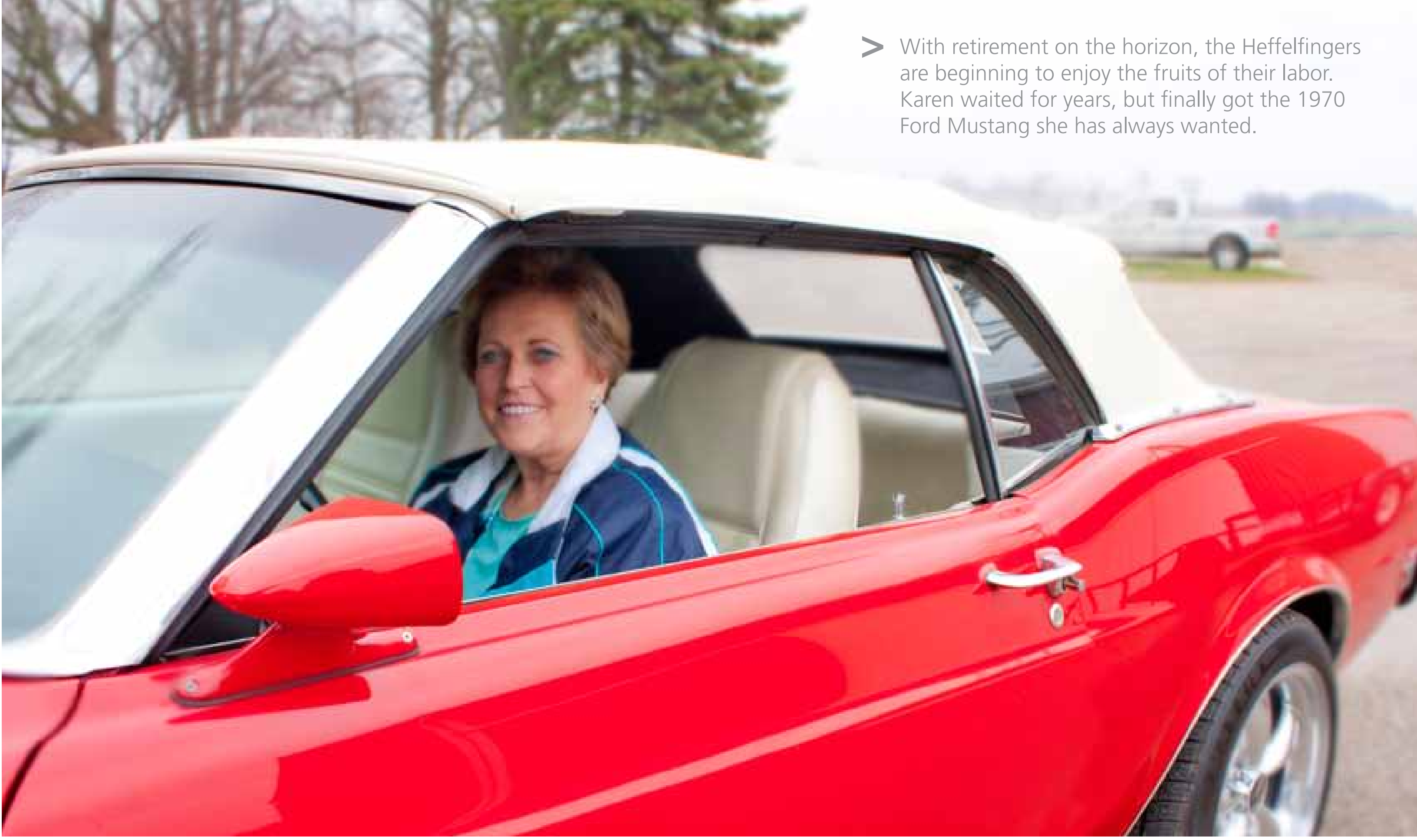
"We never kept any of the bad from them, if we were struggling, it went around the kitchen table," says Karen.

Living through those tough times may have been a factor in Matt's and Amy's decision not to pursue careers in production agriculture. Although they each have a passion and appreciation for agriculture, they chose to pursue other full-time opportunities that would allow them to assist part-time on the farm.

The void of a natural family transition left Dick and Karen with another tough decision; neither wanted to see everything that they had worked so hard for their entire lives be put up on the auction block one day.

The Heffelfingers met Joe Draper while working with the Nature Conservancy and saw that he shared their values and liked his work ethic. It was on a trip to the National No-Tillage Conference that the subject of bringing Joe onto the farm full-time was first mentioned. Flattered by the offer, Joe was happy with his job at the time and decided to stay put, but he never forgot about the possibility of joining their team.

After several years of working together on conservation issues, Joe decided to take the leap and join Dick and Karen in 2010.



With retirement on the horizon, the Heffelfingers are beginning to enjoy the fruits of their labor. Karen waited for years, but finally got the 1970 Ford Mustang she has always wanted.

"We know that at our age we cannot continue this with just the two of us," said Karen. "We needed someone we could trust and Joe is that person."

"They have decided to invest in bringing me into this operation; because we have similar values, we are all more productive and more successful," said Joe. "Things have been pretty nice the past couple of years, and granted prices have been pretty good, but hopefully that is a sign of making good decisions, too. Like Dick said, that comes from surrounding yourself with good people and advisors."

The Heffelfingers, along with Joe and his wife Angela, have consulted with GreenStone financial services officer Nicole Ladd on their transition plan.

"Angela and I are working with Nicole and setting some goals to help put us in Dick and Karen's position 30 years from now," said Joe. "It's nice to see a successful operation like what Dick and Karen have spent their lives building, to continue that is the key. This will be a farm for a long, long time after we're gone. Hopefully we can steward it as best we can while we have it, just like they have."

Retirement

Looking back over their careers as farmers, the Heffelfingers are appreciative of the guidance and commitment they received while working with GreenStone.

"The advice GreenStone gave us was probably just as important as the money," said Dick.

Retirement is a very relative term for Dick and Karen Heffelfinger. While they admit that they are starting to slow down and look towards retirement, neither is eager to settle down completely just yet. Recently Dick and Karen have attended several classic car auctions and shows and have used their hard-earned money to purchase cars they used to only dream about.

Whether in Dick's modified blue 1937 Ford pickup, or Karen's cherry red 1970 Ford Mustang, this is certain: they will ride off together enjoying retirement knowing that they have left their farm in good hands for generations to come.

GIVING BACK:

HELPING COMMUNITIES GROW AND THRIVE

Pete Lemmer is a man of many hats. By day, he serves as GreenStone Farm Credit Services' senior vice president and chief legal counsel, a position he has held since 2008. In his spare time, you can find Pete in the local community helping area youth.

Pete's time and effort with these young people was recognized when he was presented with the 2013 Phelps-Martin Award for Community Service by the Farm Credit Council. The award is given to individuals who exemplify their commitment to community service and was presented at a ceremony in San Diego, California, and included a $1,000 donation to the Refugee Development Center on Pete's behalf that enabled refugee youth to participate in an established basketball program at the center.

"I have learned a tremendous amount about just how amazing the human spirit is when you give it a chance from these children," said Pete. "I am grateful to all of the other volunteer coaches, and my family, who have helped make an impact in the lives of these young people."

Known simply as "coach" by many Lansing-area youth, Pete has been a mainstay in many area youth sports programs. After relocating to the Lansing, Michigan, area in the late 1990s, the former college athlete became involved with coaching several different youth teams including boys and girls basketball. The success of those programs led to his involvement with the Lansing Catholic School System where he helped start a track program for middle school aged kids.

"I have learned a tremendous amount about just how amazing the human spirit is when you give it a chance from these children... "I am grateful to all of the other volunteer coaches, and my family, who have helped make an impact in the lives of these young people."

Eventually, Pete began working with the refugee population in Lansing. He formed a team of refugee children from the Democratic Republic of Congo, Kenya, Tanzania and Zimbabwe to participate side by side with American youth from local communities in a regular travel basketball program. Although many times there were several languages being spoken in the gym at any one time, the children were all able to communicate through a smile and high-five.

In addition to interaction through sport, Pete has also introduced these children to Michigan agriculture. He has organized trips to various Breakfast on the Farm events around the state and has setup farm visits and tours where the groups have been given an up-close look at modern agriculture operations.

> Pete Lemmer (third from right), devotes countless hours to working with youth in the greater Lansing area. Pete has introduced basketball and teamwork, as well as production agriculture through participation in Breakfast on the Farm events, to refugee youth from several foreign nations.

Culture of Caring

GreenStone knows that the success of our cooperative is based on the success of the members we serve—and the communities where they live. That is why we are dedicated to fostering an environment of service that allows our employees to actively engage in making our local communities better places to live, work, and play!

Each GreenStone employee is allotted 16 hours of paid time every year to be used to support charity work or a service project of their choice. In addition to those 16 hours of paid leave time, many employees donate additional time in support of a service project or charity work. In fact, in 2013, 395 GreenStone employees spent time volunteering a total of 4,044 hours in the communities we serve.

To further help rural communities thrive, GreenStone dedicates a portion of its operating budget each year to supporting various programs that help educate and enrich the lives of our members. Whether it is a local community group, youth organization or young, beginning, and small farmer program, GreenStone helps support programs that are important to our members. Throughout 2013, GreenStone contributed more than $681,000 to various organizations in the communities we serve.

BY THE NUMBERS:

Rob Richardson did not follow a traditional path to agriculture. He was busy working full-time in manufacturing and, along with his wife Regina, was raising the couple's four children: Rita, Roy, Randy, and Robbie, when he decided it was time for a change.

Looking for a way to expand his 18 year part-time farming operation, Rob took a chance on becoming a full-time farmer in 1994 and he has not looked back since. Hard work has been the recipe to success for the Richardson family and Rob credits GreenStone for being there the entire way.

"When I began farming full-time is when I became aware of GreenStone and what they could offer my operation," said Rob. "They have really helped our business grow through the years."

> Rob Richardson (right), understands the value his operation receives from working with GreenStone's tax and accounting team. GreenStone has helped Rob transition sons Roy (left) and Randy (center) into his operation.

Fast-forward 20 years to present day where the Richardson family runs a successful operation in Vicksburg, Michigan, producing seed corn, soybeans, green beans, wheat, and hay.

While the Richardsons utilize a variety of products and services offered by GreenStone, Rob credits the tax and accounting team in the Schoolcraft branch with providing unmatched expertise for his operation.

Before becoming a GreenStone tax and accounting customer, Rob worked with one of the premier accounting firms in his area. While the office was full of good people, he felt that they lacked the agriculture knowledge and expertise he was seeking from an accountant and tax preparer. Rob decided to make a change and moved his business to a local CPA. Although he was spending much less money with his new CPA, he still felt he was missing out on some of the tax benefits he was eligible for as an agricultural producer.

"After working with a couple of different groups, we learned about the tax and accounting services offered by GreenStone," said Rob. "The team at GreenStone knows the tax code inside and out. In this business, you really need somebody that is knowledgeable about production based agriculture to help you with your accounting and your tax preparation."

The Richardsons have worked with tax accountant Mark Koester through several complex tax and accounting scenarios including transitioning from an accounting service bureau customer to an on-farm accounting client, and the establishment of a farm succession plan to bring Roy and Randy into the farm business.

"We have worked very closely with Rob, Regina, Roy, and Randy over the years on helping their operation grow and flourish," said Mark Koester. "We recently worked with the Richardsons to transition their operation to an on-farm accounting client where they utilize our AgManager software to input accounting data for their operation. By doing this, they have almost immediate access to a number of reports and analytics that help them make critical business decisions."

"There has been a lot of growing and learning, but GreenStone has been right there with tech support and has helped us get going with the AgManager on-farm accounting software," said Rob. "That was a big step we have taken within the last couple years that has really helped give us information to analyze different aspects of our business, so that's been a plus."

In addition to the expertise GreenStone provides to manage the Richardsons' tax and accounting needs, Rob appreciates the cooperative's commitment to being there when he needs a helping hand or advice.

"We've had good times and we've had bad times. When we had some bad times and lean times, GreenStone was there and gave us good guidance and help, and we got through that and we've been growing and expanding ever since," said Rob. "I couldn't have done that without GreenStone. I know for a fact if I was with a commercial bank, they would have bailed so quick it would make your head spin."

MAKING UP GROUND

As first-generation farmers, Rob and Regina Richardson have a special appreciation for preserving farmlands for future generations. That is why working with the Michigan Department of Agriculture and Rural Development (MDARD) to preserve 906 acres of farmland was one of their top priorities.

After taking part in Farm Bureau sponsored trips to the east coast to learn about farmland preservation issues, Rob and Regina decided to make a sizeable donation.

The Richardsons agreed to donate a conservation easement on 906 acres of their land to a program offered by MDARD. The program provides a use restriction on the donated land to ensure that it remains in production agriculture for perpetuity. At the time, the Richardsons' donation was the largest ever in the state of Michigan.

"Regina and I have worked hard, and we built up a nice operation. We want to make sure the land remains in production agriculture and that was the reason to do the conservation easement."

The generous donation also presented the unique opportunity for Rob and Regina to take advantage of special federal income tax deductions. Mark Koester assisted the couple with navigating the complex tax code to ensure that the Richardsons took full advantage of the deductions.

"Mark really helped us maximize the tax deductions following our donation to the conservation program," said Rob. "Taking full advantage of those deductions is one aspect that has helped our business grow."

NEW TECH:

GreenStone's commitment to serving our members goes beyond the fields.

Our Information Services (IS) group features more than 35 team members focused on developing innovative technology solutions to meet the changing demands of our membership.

As a forward thinking cooperative, GreenStone was a leader in the development of the BGM Technology Collaboration in 2006. BGM is comprised of four Farm Credit associations—1st Farm Credit Services, Badgerland Financial, FCS Financial and GreenStone Farm Credit Services—working together to keep up with current technology trends, developing programs to position each association for future success, and improving time and cost efficiency related to IS projects.

As our members continue to grow their operations and adapt to changing technology, GreenStone and BGM are developing tools to make managing the financial aspects of your businesses more convenient.

MOBILE WEBSITE

GreenStone recently launched a mobile friendly version of *greenstonefcs.com* that provides a very user-friendly experience for members who access the website from a mobile device. The mobile website contains many useful features, including: GPS enabled branch locator, loan calculator, product information, request for information form, and much more!

MY ACCESS

Coming in 2014, GreenStone's My Access site will enable members to easily manage multiple aspects of their accounts online through a single-login, password-protected website. Phase one of the system rollout will include direct access to online banking, ability to establish loan based alerts, as well as secure document sharing between customer and GreenStone staff.

COMMUNICATION PREFERENCES

GreenStone's Communication Preferences system allows members to choose how they would like to receive communication from the cooperative. Interest-based subscriptions are also available to members and the general public providing valuable information about agriculture and country living. To learn more, visit the Communication Preferences subscription page at *greenstonefcs.com/communicationpreferences.*

INFORMATION SERVICES SUPPORT

Technology in the field and in the office is rapidly changing and GreenStone is working to help keep our membership on the cutting edge. We are currently developing a program that would allow members to receive IS support, including computer system support from the expert staff at GreenStone. Stay tuned to learn more about this exciting opportunity!

FINANCIALS:

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in GreenStone Farm Credit Services, ACA. To request free copies of the AgriBank and combined AgriBank and Affiliated Associations' financial reports contact us at 3515 West Road, East Lansing, Michigan 48823, (800) 968-0061, or by e-mail to *Travis.Jones@greenstonefcs.com*, or through our website at *www.greenstonefcs.com*. You may also contact AgriBank at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or by e-mail at *financialreporting@agribank.com*. The AgriBank and combined AgriBank and Affiliated Associations' financial reports are also available through AgriBank's website at *www.agribank.com*.

To request free copies of our Annual or Quarterly Reports contact us as stated above. The Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter.

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

GREENSTONE FARM CREDIT SERVICES, ACA
(Dollars in thousands)

	2013	2012	2011	2010	2009
STATEMENT OF CONDITION DATA					
Loans	$6,249,883	$5,726,832	$5,181,888	$4,878,869	$4,573,522
Allowance for loan losses	38,772	41,964	49,771	43,293	35,326
Net loans	6,211,111	5,684,868	5,132,117	4,835,576	4,538,196
Investment in AgriBank, FCB	157,945	151,615	145,621	143,560	142,336
Investment securities	32,233	40,757	33,820	9,120	—
Acquired property	12,751	31,928	62,172	49,644	23,257
Other assets	127,174	118,901	115,015	112,785	93,232
Total assets	$6,541,214	$6,028,069	$5,488,745	$5,150,685	$4,797,021
Obligations with maturities of one year or less	$5,385,302	$75,392	$4,540,728	$62,244	$66,822
Obligations with maturities greater than one year	—	4,903,770	—	4,234,600	3,952,950
Total liabilities	5,385,302	4,979,162	4,540,728	4,296,844	4,019,772
Protected members' equity	3	3	4	5	6
Capital stock and participation certificates	20,614	19,742	18,512	17,599	16,305
Unallocated surplus	1,135,295	1,029,162	929,501	836,237	760,938
Total members' equity	1,155,912	1,048,907	948,017	853,841	777,249
Total liabilities and members' equity	$6,541,214	$6,028,069	$5,488,745	$5,150,685	$4,797,021
STATEMENT OF INCOME DATA					
Net interest income	$174,693	$162,095	$154,202	$138,459	$125,245
(Reversal of) provision for credit losses	(3,947)	10,045	16,490	35,495	38,853
Patronage income	29,017	26,005	23,889	29,296	20,309
Other expense, net	68,381	54,469	47,024	34,317	45,839
Provision for (benefit from) income taxes	4,166	(2,571)	(1,990)	4,453	(93)
Net income	$135,110	$126,157	$116,567	$93,490	$60,955
KEY FINANCIAL RATIOS					
Return on average assets	2.2%	2.2%	2.2%	1.9%	1.3%
Return on average members' equity	12.2%	12.5%	12.9%	11.4%	8.1%
Net interest income as a percentage of average earning assets	3.0%	3.0%	3.1%	3.0%	2.8%
Members' equity as a percentage of total assets	17.7%	17.4%	17.3%	16.6%	16.2%
Net (recoveries) charge-offs as a percentage of average loans	(0.1%)	0.3%	0.2%	0.6%	0.7%
Allowance for loan losses as a percentage of loans	0.6%	0.7%	1.0%	0.9%	0.8%
Permanent capital ratio	14.7%	14.6%	14.5%	13.8%	13.0%
Total surplus ratio	14.3%	14.3%	14.1%	13.4%	12.7%
Core surplus ratio	14.3%	14.3%	14.1%	13.4%	12.7%
OTHER					
Loans serviced for AgriBank, FCB	$ —	$ —	$ —	$ —	$84
Patronage distribution payable to members	$29,000	$26,495	$23,313	$18,200	$12,000

The patronage distribution to members accrued for the year ended December 31, 2013 will be distributed in cash during the first quarter of 2014. The patronage distributions accrued for the years ended December 31, 2012, 2011, 2010, and 2009 were distributed in cash during the first quarter of each subsequent year. No income was distributed to members in the form of dividends, stock, or allocated surplus during these periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GREENSTONE FARM CREDIT SERVICES, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries) and provides additional specific information. The accompanying consolidated financial statements and notes to the consolidated financial statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of December 31, 2013, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and eighty-two customer-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and operated by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System bank, and its affiliated associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). GreenStone Farm Credit Services, ACA is one of the affiliated associations in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) ensures the timely payment of principal and interest on Systemwide debt obligations and the retirement of protected borrower capital at par or stated value.

Forward-Looking Information

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "could", "should", "will" and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, financial, and economic conditions and developments in the United States (U.S.) and abroad,
- economic fluctuations in the agricultural and farm-related business sectors,
- unfavorable weather, disease, and other adverse climatic or biological conditions that periodically occur and impact agricultural productivity and income,
- changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency actions relating to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions,
- actions taken by the Federal Reserve System in implementing monetary policy,
- credit, interest rate, and liquidity risks inherent in our lending activities, and
- changes in our assumptions for determining the allowance for loan losses, other-than-temporary impairment, and fair value measurements.

Agricultural and Economic Conditions

The United States Department of Agriculture (USDA) is forecasting 2013 net farm income to be $130.5 billion, up 14.7% from 2012's estimate of $113.8 billion. After adjusting for inflation, 2013's net farm income is expected to be the highest since 1973. This is a $40.0 billion (43.9%) increase above the previous five year average (2008-2012) of $91.1 billion. With a few notable exceptions, crop, livestock, dairy, and poultry industries produced very good net farm income levels during 2013. High grain commodity prices plus crop insurance proceeds received in the first half of 2013 were major contributors to the record income agriculture experienced this past year.

Spring came late this past year to Michigan and Northeast Wisconsin. Abnormal cold and wet weather conditions provided a challenging selling season for the greenhouse industry, and resulted in net incomes ranging from breakeven to average for the year. The cold, late spring helped the fruit industry in Michigan avoid a repeat of 2012. Orchard crop yields were very strong in 2013. Moisture levels during the June to September time period varied significantly in our territory. Timely and abundant rainfall produced a record crop for many of our customers in the southern third of Michigan. The balance of Michigan and Northeast Wisconsin received less than normal rainfall levels bordering on drought conditions in localized areas. Precipitation was scattered during the critical pollination period for many of these producers. As a result, crop yields varied from below average to average.

Overall, the agriculture outlook for 2014 is one of reduced profit expectations. The USDA's longer term forecast is net farm income will contract from the record level in 2013 over the next several years to $96.9 billion in 2014, $92.7 billion in 2015, and $95.2 billion in 2016. As a point of reference, average U.S. net farm income for the time period of 2008 to 2013 was $97.7 billion. In 2014, there will be a wide range of variability by industry. Row crop operations will likely experience the greatest degree of net farm income reduction while the dairy and protein sectors are poised to see an improvement in profitability. Sector outlook summary: (a) dairy margins will be excellent for the first half of 2014 and compress slightly during the second half of the year, (b) hog and poultry industries are projected to operate at a positive margin for the first half 2014, followed by compressing margins during the second half of 2014 as increasing supplies will outstrip export market capacity, (c) fertilizer prices will decline but fuel, seed, and chemical prices will increase slightly over 2013 levels, and (d) short-term interest rates will remain flat with long-term interest rates rising slightly over the course of the year. Many operations have balance sheet strength that will allow them adequate time to adjust their operating cost structure to the new reality of reduced gross margins. Operations that did not build up a working capital cushion over the past several years will be challenged financially.

The dairy industry outlook for 2014 is positive. Moderating feed prices, solid forage inventory levels, high cull cow prices, and solid export growth present significant profit opportunities. Analysis by Commodity & Ingredient Hedging, LLC concludes that 2014 dairy margins, as measured over the last 10 year period, will be in the 82 to 99 percentile. Profit margins will start to compress the second half of 2014 as world production (New Zealand, India, and Europe) normalizes and U.S. production expands.

The hog and broiler industries were negatively impacted by grain prices in 2013. For open market operations cash flow margins were negative in 2013. Many of our large hog operations hedged positive margins for 2013 production in 2012, avoiding the majority of the negative crush margin cycle. Lower grain prices and strong commodity prices bode well for the hog industry in 2014. Export levels remain strong. The Porcine Epidemic Diarrhea (PED) virus is impacting hog numbers and will likely keep a cap on U.S. hog expansion in 2014 while the industry solves this challenge. Despite high grain prices, broiler industry margins turned positive early in 2013 due to the strength of improved broiler prices renegotiated by vendors. The broiler industry is forecasting positive cash flows for the first half of 2014 with declining margins during the second half of the year as the industry expands production.

Row crop operations will see a significant contraction in profit levels. Grain crops appear to be entering into a correction period as the inventory carry over is increasing relative to usage. After a long run of record profits, these industries are projecting a decline in profitability. For 2014, the market will need to adjust to the slowdown in demand (ethanol and exports) and address the fixed cost structure (multi-year land rental agreements) as longer term interest rates start to rise. Operations with a high cost structure (fixed and variable) will slide to negative net income levels this year. Efficient operations will have an opportunity for a breakeven to small profit.

Our fruit industries bounced back from the 2012 crop disaster with very strong yields for the cherry, apple, grape, and blueberry industries in Michigan. Blueberry prices decreased significantly in 2013. The price outlook for the apple, grape, and cherry industries is for an average year. A second large crop in 2014 will challenge the level of profitability in these industries.

The AgriConsumer market segment was showing signs of improvement in 2013 until interest rates increased in June. As a result, refinancing activity slowed significantly in the second half of the year. The decline in refinancing activity was partially offset by an increase in new home construction financing in the following markets: Ann Arbor, Traverse City, and Grand Rapids, Michigan and the Fox Valley region of Northeast Wisconsin, all areas where the general economy has been improving. The general economy continues to slowly improve in our territory. As of November 2013, the Bureau of Labor and Statistics reports the unemployment rate of Wisconsin has improved year over year from 6.7% to 6.3%, well below the 2009 recession peak of 9.2%. In Michigan, unemployment levels have declined year over year from 9.0% to 8.8%, again well below the 2009 recession peak of 14.2%. The automotive industry enjoyed a very good year and the outlook for 2014 is for a slight improvement over 2013 results. This bodes well for the Michigan economy and our expectations of this segment of the loan portfolio.

Residential real estate markets continue to rebound in Michigan and Northeast Wisconsin as many areas are reporting that existing home prices are improving as inventories decline. Ann Arbor, Grand Rapids, and Traverse City, Michigan, as well as the Fox Valley region of Northeast Wisconsin, are quickly turning quality properties placed on the market. Recreational land also showed a small increase in market prices after several years of declining values in Michigan and Northeast Wisconsin.

Michigan and Northeast Wisconsin farmland prices are moving closer to a market top. The rate of increase in land prices slowed significantly in the second half of 2013. While quality cropland continues to sell well, lower quality cropland prices are starting to soften. Since last fall, there has been an increase in the number of "no sale" land auctions, an indication that buyer and seller price expectations have diverged. Within this general market direction, regional variability will continue. The southeast and southwest regions of Michigan, where 2012 production was heavily impacted by drought, saw land prices increase 6.7% – 8.9% on our benchmark farms this past year. Whereas the Thumb region of Michigan had very strong yields from 2012 crop production coupled with very high commodity prices. The result was land prices surging on our benchmark farms +20% for the second straight year. The significant declines in corn, soybean, and sugar beet prices this past fall have tempered the enthusiasm for purchasers to bid real estate higher, the exception being a limited number of high quality cropland parcels. If there is a large crop produced in 2014, reducing commodity prices, we anticipate the market will start to accelerate the price correction process for rental rates and land prices.

The Reserve Bank of Chicago is forecasting that U.S. Gross Domestic Product (GDP) will average 2.0% growth for fiscal year 2013. They are forecasting GDP will incrementally improve throughout 2014 with the economy expanding at an average rate of 2.7% GDP for the year. Focus remains on the government in Washington D.C. The dysfunctional relationship between Congress and the Executive wing of government continues to have a negative effect on the businesses. The climate of uncertainty in regulatory, tax, and economic policy continues to cause businesses to hold off on new investments and expansion plans. The Federal Open Market Committee (FOMC) forecast has short-term interest rates unchanged while 10 and 30 year treasuries will see a modest increase in pricing. All of this is predicated on the U.S. economy expanding at the projected level of 2.7% GDP in 2014. Key variables to this outlook: world events, success of the FOMC's "tapering" of their bond buying program, and government action/inaction in an election year. Each variable has the ability to influence domestic and export market conditions for agriculture products in 2014.

Loan Portfolio

Total loans were $6.2 billion at December 31, 2013, an increase of $523.1 million from December 31, 2012. The components of loans for the prior three years were as follows (in thousands):

As of December 31	2013	2012	2011
Accrual loans:			
Real estate mortgage	$3,677,607	$3,264,589	$2,781,855
Production and intermediate term	1,886,576	1,793,384	1,710,264
Agribusiness	346,387	321,097	322,168
Other	281,428	277,658	275,150
Nonaccrual loans	57,885	70,104	92,451
Total loans	$6,249,883	$5,726,832	$5,181,888

The other category is comprised of rural residential real estate, communication, and energy related loans as well as finance leases and loans originated under our mission related investment authority.

As part of the Asset Pool program, we have sold participation interests in real estate loans to AgriBank. Our total participation interests in this program were $353.0 million, $402.4 million, and $457.1 million at December 31, 2013, 2012, and 2011, respectively.

Our growth in owned and managed loans for 2013 was 7.7%. This level of growth is slightly lower than the 8.7% growth rate experienced in 2012. Growth in all of our market segments was positively impacted by historically low interest rates in both 2013 and 2012. Owned and managed mortgage volume increased 9.8% over December 2012. The year end commercial loan and lease volume increased 2.7% when compared to December 2012. Loan growth was very solid in all market segments as our three major segments each exceeded 5.0% growth. Our Traditional Farm segment, including our large commercial loans, grew 9.6% in 2013 compared to 10.2% in 2012. The Capital Markets segment experienced a 7.6% growth rate in 2013 as compared to 7.3% growth rate in 2012. In our AgriConsumer segment market demand slowed due to additional competitive pressure resulting in an asset growth rate of 5.3% compared to 11.5% in 2012. This is partially reflective of the improving economic conditions in our marketplace where more lenders are expanding their lending.

The outlook for overall portfolio growth for 2014 will be more of a challenge than our experience in 2013. Increased competitive pressure is expected to create additional challenges to our growth in the Capital Markets and Commercial Producers segments. New entrants into the agricultural lending market will continue to put pressure on our growth level and returns in these segments. We expect moderate demand for expansion capital in dairy and some animal protein sectors during 2014. The level of this demand will depend on the expected profit margins in these segments which look positive today as feed costs have fallen. We continue to see land values reaching plateaus in our regions. The general non-farm economic weakness that has been in place in our territory for the last several years is slowly giving way to improvement. This should provide further opportunities in the AgriConsumer segment, which is seeing high levels of competition with regard to pricing and new competitors continuing to reach the rural segment. Overall, we expect all market segments to show positive growth in 2014, with the Commercial Producers and Capital Market segments providing the highest growth rates. However, we also expect to see continuing loan pricing pressure within all market segments.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs and fixed interest rate lease programs to our borrowers. We determine interest margins charged on each lending program based on cost of funds, market conditions, and the need to generate sufficient earnings.

PORTFOLIO DISTRIBUTION

We are chartered to operate throughout Michigan and in certain counties in Wisconsin. Our portfolio is fairly evenly distributed among the territory with no material concentrations in any one county. This is evidenced by there being no individual county representing greater than 5.0% of our total loan volume at December 31, 2013.

Agricultural concentrations exceeding 5.0% of our portfolio included: dairy 22.4%, country home living 20.3%, and cash crops 20.1%. Additional commodity concentration information is included in Note 3.

Our level of portfolio diversification has not changed materially over the last year and continues to be one of our portfolio strengths. Due mainly to our diversity in commodities and the varied operating cycles that those commodities experience, our commercial volume levels do not show significant levels of seasonality.

PORTFOLIO CREDIT QUALITY

The credit quality of our portfolio improved throughout 2013. Adversely classified owned assets decreased from 3.9% of the portfolio at December 31, 2012 to 2.8% of the portfolio at December 31, 2013. Adversely classified assets are assets that we have identified as showing some credit weakness outside normal credit standards. The credit quality of our core market of traditional production farm loans remains very sound. Weaker borrowers in our timber, greenhouse/nursery, and grain elevator portfolios continued to be challenged financially during 2013. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, results in an adverse asset to risk funds ratio of 18.7%. Management believes the level of adverse assets is manageable. This is an improvement over last year of 27.8% and the high water mark of 61.5% in October of 2009, as well as below our goal of maintaining this ratio at or below 25.0%. This ratio is a good measure of the association's risk-bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. As of December 31, 2013, $282.8 million of our loans were, to some level, guaranteed under these programs.

ANALYSIS OF RISK

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

As of December 31	2013	2012	2011
Loans:			
Nonaccrual	$57,885	$70,104	$92,451
Accruing restructured	1,923	850	238
Accruing loans 90 days or more past due	—	—	—
Total risk loans	59,808	70,954	92,689
Acquired property	12,751	31,928	62,172
Total risk assets	$72,559	$102,882	$154,861
Risk loans as a percentage of total loans	1.0%	1.2%	1.8%
Total delinquencies as a percentage of total loans	0.6%	0.7%	1.1%

Our risk assets have decreased from December 31, 2012 and remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual loan assets decreased from $70.1 million (1.2% of loans) as of December 31, 2012 to $57.9 million (0.9% of loans) as of December 31, 2013. This $12.2 million decrease in nonaccrual volume was partially attributable to a large dairy relationship paid off in 2013 totaling $2.9 million at December 31, 2012 and the pay-down of $1.3 million of a livestock relationship during 2013. In addition, a large greenhouse/nursery relationship totaling $1.0 million at December 31, 2012 was transferred to acquired property. The remaining decrease was primarily due to a combination of additional pay-downs, transfers to acquired property, and improved credit quality. As of December 31, 2013, approximately 37% of the nonaccrual loan portfolio was comprised of greenhouse/nursery loans, 22% part-time farmers, 15% dairy, and 10% general livestock farms. At December 31, 2013, 72.0% of our nonaccrual loans were current in their payment status.

Accruing restructured loans increased slightly during 2013 from $850 thousand as of December 31, 2012 to $1.9 million as of December 31, 2013. At December 31, 2013, 100% of our accruing restructured loans were current in their payment status.

Acquired property inventory decreased from $31.9 million as of December 31, 2012 to $12.8 million as of December 31, 2013. This improvement was primarily due to the sale of 116 acquired properties during 2013 being partially offset by 67 properties being added to the acquired property portfolio. In addition, a $10.6 million write-down was taken during 2013 on a large timber property. As of December 31, 2013, $11.0 million, or 86.3%, of the acquired property was comprised of two large assets. These assets are related to the timber and greenhouse/nursery industries.

ANALYSIS OF THE 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 the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

The following table presents allowance coverage, charge-off, and adverse asset information:

As of December 31	2013	2012	2011
Allowance as a percentage of:			
Loans	0.6%	0.7%	1.0%
Nonaccrual loans	67.0%	59.9%	53.8%
Total risk loans	64.8%	59.1%	53.7%
Net charge-offs as a percentage of average loans	(0.1%)	0.3%	0.2%
Adverse assets to risk funds	18.7%	27.8%	30.2%

The allowance for loan losses decreased $3.2 million from December 31, 2012 to December 31, 2013. The decrease in allowance for loan losses is primarily due to improved credit quality. During 2013, a reversal of $6.4 million for provision for loan losses was recorded, which was offset by $3.2 million of net recoveries. The total net recoveries were primarily due to two large recoveries related to the timber and dairy industries. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2013.

Additional loan information is included in Notes 3, 11, 12, 13, and 14.

Investment Securities

In addition to loans, we hold investment securities. Investments include our share of securities made up of loans guaranteed by the Small Business Administration. Investment securities totaled $32.2 million, $40.8 million, and $33.8 million at December 31, 2013, 2012, and 2011, respectively.

The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

Additional investment securities information is included in Notes 5 and 14.

Results of Operations

The following table illustrates profitability information (dollars in thousands):

For the year ended December 31	2013	2012	2011
Net income	$135,110	$126,157	$116,567
Return on average assets	2.2%	2.2%	2.2%
Return on average members' equity	12.2%	12.5%	12.9%

Changes in these ratios relate directly to:

- changes in income as discussed in the following section,
- changes in assets as discussed in the Loan Portfolio and Investment Securities sections, and
- changes in members' equity as discussed in the Capital Adequacy section.

The following table summarizes the changes in components of net income (in thousands):

For the year ended December 31	2013	2012	2011
Net interest income	$174,693	$162,095	$154,202
(Reversal of) provision for credit losses	(3,947)	10,045	16,490
Patronage income	29,017	26,005	23,889
Financially related services income	7,442	9,665	9,049
Fee income	3,295	3,408	3,408
Acquired property net loss	(7,828)	(10,152)	(753)
Allocated insurance reserve accounts distribution	—	5,209	—
Miscellaneous income, net	1,142	1,146	1,808
Operating expense	72,432	63,745	60,536
Provision for (benefit from) income taxes	4,166	(2,571)	(1,990)
Net income	$135,110	$126,157	$116,567

The following table summarizes the changes in components of net income (in thousands):

Increase (decrease) in net income	2013 vs. 2012	2012 vs. 2011
Net interest income	$12,598	$7,893
(Reversal of) provision for credit losses	13,992	6,445
Patronage income	3,012	2,116
Financially related services income	(2,223)	616
Fee income	(113)	—
Acquired property net loss	2,324	(9,399)
Allocated insurance reserve accounts distribution	(5,209)	5,209
Miscellaneous income, net	(4)	(662)
Operating expense	(8,687)	(3,209)
Provision for (benefit from) income taxes	(6,737)	581
Total change in net income	$8,953	$9,590

NET INTEREST INCOME

Net interest income was $174.7 million for the year ended December 31, 2013. The following table quantifies changes in net interest income (in thousands):

	2013 vs. 2012	2012 vs. 2011
Changes in volume	$17,907	$11,828
Changes in rates	(4,186)	(5,381)
Changes in nonaccrual income and other	(1,123)	1,446
Net change	$12,598	$7,893

Net interest income included income on nonaccrual loans that totaled $1.2 million, $1.5 million, and $2.3 million in 2013, 2012, and 2011, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income divided by average earning assets) was 3.0%, 3.0%, and 3.1% in 2013, 2012, and 2011, respectively. We expect margins to compress in the future as interest rates rise and competition increases.

(REVERSAL OF) PROVISION FOR CREDIT LOSSES

The recorded reversal of provision for loan losses during 2013 of $6.3 million was primarily due to improved credit quality and recoveries which was offset by a $2.4 million credit loss being recorded to establish a reserve on unfunded loan commitments resulting in a total net provision reversal of $3.9 million. The variance in the provision for credit losses from 2012 is due to improved credit quality and recoveries related to the timber and dairy industries. Refer to Note 3 for additional discussion.

PATRONAGE INCOME

We received patronage income based on the average balance of our note payable to AgriBank. AgriBank's Board of Directors sets the patronage rate. The patronage rates were 34.5 basis points, 32 basis points, and 31 basis points in 2013, 2012, and 2011, respectively. We recorded patronage income of $17.2 million, $14.5 million, and $13.2 million in 2013, 2012, and 2011, respectively.

Since 2008 we have participated in the Asset Pool program in which we sell participation interests in certain real estate loans to AgriBank. As part of this program we received patronage income in an amount that approximated the net earnings of the loans. Net earnings represents the net interest income associated with these loans adjusted for certain fees and costs specific to the related loans as well as adjustments deemed appropriate by AgriBank related to the credit performance of the loans, as applicable. In addition, we received patronage income in an amount that approximated the wholesale patronage had we retained the volume. Patronage declared on these pools is solely at the discretion of the AgriBank Board of Directors. We recorded asset pool patronage income of $10.5 million, $10.9 million, and $10.7 million in 2013, 2012, and 2011, respectively. As part of this income in 2012, we received a $587 thousand share of the distribution from the Allocated Insurance Reserve Accounts (AIRA) related to the Asset Pool program. These reserve accounts were established in previous years by the FCSIC when premiums collected increased the level of the Farm Credit Insurance Fund above the required 2% of insured debt. No such distributions were received in 2013 or 2011.

We also received a partnership distribution resulting from our participation in the AgDirect trade credit financing program. The program is facilitated by another AgriBank District association through a limited liability partnership (AgDirect, LLP), in which we are a partial owner. AgriBank purchases a 100% participation interest in the program loans from AgDirect, LLP. We receive a partnership distribution in an amount that approximates our share of the net earnings of the loans in the program, adjusted for required return on capital and servicing and origination fees. Partnership distributions are declared solely at the discretion of the AgriBank Board of Directors and are paid to AgDirect, LLP, which in turn distributes it to the participating associations. We received a partnership distribution of $1.3 million and $508 thousand in 2013 and 2012, respectively. No partnership distribution was received in 2011 as expenses exceeded income for each of the pools.

NON-INTEREST INCOME

The change in non-interest income was primarily due to the following:

The decrease in financially related services income was primarily due to a decline in crop insurance commissions during 2013.

The decrease in acquired property net loss was primarily due to a write-down of $10.6 million on a large timber property in 2013 which was offset by gains generated from the sale of several properties. The 2012 acquired property net loss was primarily due to losses generated from the sale of a large tract of timber and a lumber concentration yard of $562 thousand and $8.6 million, respectively.

The decrease in AIRA distribution was a result of our share of distributions from AIRA of $5.2 million during 2012. No such distributions were received in 2013 or 2011.

OPERATING EXPENSES

The following presents a comparison of operating expenses by major category and the operating rate (operating expenses as a percentage of average earning assets) for the past three years (dollars in thousands):

For the year ended December 31	2013	2012	2011
Salaries and employee benefits	$46,134	$40,709	$38,106
Purchased and vendor services	3,624	3,558	2,868
Communications	1,500	1,422	1,438
Occupancy and equipment	7,156	6,905	6,615
Advertising and promotion	2,290	2,322	2,219
Examination	1,353	1,369	1,314
Farm Credit System insurance	4,949	2,285	2,576
Other	5,426	5,175	5,400
Total operating expenses	$72,432	$63,745	$60,536
Operating rate	1.2%	1.2%	1.2%

The increase in operating expenses is primarily related to increases in salaries and employee benefits and an increase in the rate for Farm Credit System insurance premiums.

PROVISION FOR (BENEFIT FROM) INCOME TAXES

The variance in provision for (benefit from) income taxes was related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2013, 2012, and 2011. Refer to Note 9 for additional discussion.

Funding and Liquidity

FUNDING

We borrow from AgriBank under a note payable, in the form of a line of credit, as described in Note 7. The following table summarizes note payable information (dollars in thousands):

For the year ended December 31	2013	2012	2011
Average balance	$4,974,420	$4,537,564	$4,258,552
Average interest rate	1.5%	1.7%	1.9%

Our other source of lendable funds is from unallocated surplus. 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.

LIQUIDITY

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank. At December 31, 2013, we had $691.7 million available under our line of credit. We generally apply excess cash to this line of credit.

We have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The net investment of loans subject to the purchase agreement was $11.0 million, $11.8 million, and $12.3 million at December 31, 2013, 2012, and 2011, respectively. We paid Farmer Mac commitment fees totaling $59 thousand, $64 thousand, and $53 thousand in 2013, 2012, and 2011, respectively. These amounts are included in "Other operating expenses" in the Consolidated Statements of Income. As of December 31, 2013, no loans have been sold to Farmer Mac under this agreement.

Capital Adequacy

Total members' equity increased $107.0 million during 2013 primarily due to net income for the year, partially offset by patronage distribution accruals.

Members' equity position information is as follows (dollars in thousands):

As of December 31	2013	2012	2011
Members' equity	$1,155,912	$1,048,907	$948,017
Surplus as a percentage of members' equity	98.2%	98.1%	98.0%
Permanent capital ratio	14.7%	14.6%	14.5%
Total surplus ratio	14.3%	14.3%	14.1%
Core surplus ratio	14.3%	14.3%	14.1%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

At December 31, 2013, our permanent capital, total surplus, and core surplus ratios exceeded the regulatory minimum requirements. Additional discussion of these regulatory ratios is included in Note 8.

In addition to these regulatory requirements, we establish an optimum permanent capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. As of December 31, 2013, our optimum permanent capital target range was 13% to 17%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio and the Investment Securities sections for further discussion of the changes in assets. Additional members' equity information is included in Note 8.

Initiatives

We are involved in a number of initiatives designed to improve our credit delivery, related services, and marketplace presence.

PROPARTNERS FINANCIAL

We have an alliance with nine other Farm Credit association partners to provide producer financing for agribusiness companies under the trade name, ProPartners Financial (ProPartners). ProPartners is directed by representatives from participating associations and has employees in California, Illinois, Indiana, Kansas, Minnesota, Missouri, North Dakota, Tennessee, and Washington. The income, expense, and loss sharing arrangements are based on each association's participation interest in ProPartners' volume. Each association's allocation is established according to a prescribed formula which includes risk funds of the associations. We had $150.3 million, $128.6 million, and $133.6 million of ProPartners volume at December 31, 2013, 2012, and 2011, respectively. We also had $213.6 million of available commitment on ProPartners loans at December 31, 2013.

EQUIPMENT FINANCING

We have entered into agreements with certain dealer networks to provide alternative service delivery channels to borrowers. These trade credit opportunities create more flexible and accessible financing options to borrowers through dealer point-of-purchase financing programs.

We participate in the AgDirect trade credit financing program which includes origination and refinancing of agricultural equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner.

AGRISOLUTIONS

We have an alliance with AgriSolutions, a farm software and consulting company, to provide farm records, income tax planning and preparation services, farm business consulting, and producer education seminars.

FARM CASH MANAGEMENT

We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

AGRICULTURE AND RURAL COMMUNITY BOND PROGRAM

We have participated in the Agriculture and Rural Community (ARC) Bond Program authorized during 2006 by the FCA in order to meet the changing needs of agriculture and rural America by making investments that support farmers, ranchers, agribusinesses, and their rural communities and businesses. The ARC Bond Program is part of our mission related investments. These investments will help to increase rural communities and businesses well-being and prosperity by providing an adequate flow of capital into rural areas. We had $557 thousand and $603 thousand of volume under this program at December 31, 2012 and 2011, respectively. We had no volume under this program at December 31, 2013.

Relationship with AgriBank

BORROWING

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 7, governs this lending relationship.

Cost of funds under the GFA includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, and bank profit, and if applicable, a risk premium component. However, in the periods presented, we were not subject to the risk premium component.

The marginal cost of debt approach simulates matching the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to borrowers. This methodology substantially protects us from market interest rate risk.

INVESTMENT

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing previously distributed AgriBank surplus. As of December 31, 2013, we were required to maintain a stock investment equal to 2.5% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. AgriBank's current bylaws allow AgriBank to increase the required investment to 4.0%. However, AgriBank currently has not communicated a plan to increase the required investment.

In addition, we are required to hold AgriBank stock equal to 8.0% of the quarter end Asset Pool program participation loan balance as discussed in the Loan Portfolio section.

At December 31, 2013, $89.6 million of our investment in AgriBank consisted of stock representing distributed AgriBank surplus and $68.3 million consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment and we do not anticipate any in future years.

Although it is not a direct association investment in AgriBank, AgDirect, LLP that facilitates the AgDirect trade credit financing program is required to own stock in AgriBank in the amount of 6.0% of the AgDirect program's outstanding participation loan balance at quarter end plus 6.0% of the expected balance to be originated during the following quarter. All partners, in turn, are required to own the same amount of stock in AgDirect, LLP.

Effective January 1, 2014, we entered into a contractual agreement with AgriBank whereby our required investment in AgriBank was reduced by $40.0 million. In return for this lower required investment amount, we agreed to pay an additional spread on a portion of our note payable with AgriBank equal to the reduction in our required investment.

PATRONAGE

We receive different types of discretionary patronage from AgriBank. AgriBank's Board of Directors sets the level of patronage for each of the following:

- patronage on the annual average daily balance of our note payable with AgriBank,
- patronage based on the balance and net earnings of loans in the Asset Pool program, and
- partnership distribution based on our share of the net earnings of the loans in the AgDirect trade credit financing program, adjusted for required return on capital and servicing and origination fees.

Patronage income on our note payable with AgriBank was received in the form of cash and AgriBank stock.

PURCHASED SERVICES

We purchase various services from AgriBank including certain financial and retail systems, support, reporting services, technology services, and insurance services.

The total cost of services we purchased from AgriBank was $1.8 million, $1.8 million, and $1.7 million in 2013, 2012, and 2011, respectively.

IMPACT ON MEMBERS' INVESTMENT

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of the AgriBank and the combined AgriBank and Affiliated Associations' financial reports contact us at 3515 West Road, East Lansing, Michigan 48823, (800) 968-0061, or by e-mail to *Travis.Jones@greenstonefcs.com*, or through our website at *www.greenstonefcs.com*. You may also contact AgriBank at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or by e-mail at *financialreporting@agribank.com*. The AgriBank and combined AgriBank and Affiliated Associations' financial reports are also available through AgriBank's website at *www.agribank.com*.

To request free copies of our Annual or Quarterly Reports contact us as stated above. The Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter.

Relationship with Other Farm Credit Institutions

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows us to sell loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion of this agreement.

BGM TECHNOLOGY COLLABORATION

We participate in the BGM Technology Collaboration (BGM) with certain other AgriBank District associations to facilitate the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. BGM operations are governed by representatives of each participating association. The expenses of BGM are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

As the facilitating association, we provide various support functions for the operations of BGM. This includes support for technology, human resources, accounting, payroll, reporting, and other finance functions.

FARM CREDIT LEASING

We have a relationship with Farm Credit Leasing (FCL), a System entity specializing in leasing products and providing industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows in some of the transactions.

Additionally, on January 2, 2014, we sold $26.3 million of lease volume to FCL.

INVESTMENT IN OTHER FARM CREDIT INSTITUTIONS

We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $30 thousand, $17 thousand, and $3 thousand at December 31, 2013, 2012, and 2011, respectively. CoBank provides direct loan funds to associations in its chartered territory and makes loans to cooperatives and other eligible borrowers.

We have a relationship with Farm Credit Services of America, ACA (FCS of America), an AgriBank District association, which involves purchasing or selling participation interests in loans. As part of this relationship, our equity investment in FCS of America was $1 thousand at December 31, 2013, 2012, and 2011.

We participate in the AgDirect trade credit financing program. Our investment in AgDirect, LLP, was $16.4 million, $13.7 million, and $8.3 million at December 31, 2013, 2012, and 2011, respectively.

We have a relationship with Farm Credit Foundations (Foundations) which involves purchasing human resource information systems, benefit, payroll, and workforce management services. Foundations was operated as part of AgriBank prior to January 1, 2012 when it formed a separate System service corporation. As of December 31, 2013 and 2012, our investment in Foundations was $59 thousand. The total cost of services we purchased from Foundations was $226 thousand and $223 thousand in 2013 and 2012, respectively.

REPORT OF MANAGEMENT

GreenStone Farm Credit Services, ACA

We prepare the consolidated financial statements of GreenStone Farm Credit Services, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that on the consolidated financial statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. They also conduct a review of internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report and it has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Scott A. Roggenbuck
Chairperson of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Travis D. Jones
Chief Financial Officer
GreenStone Farm Credit Services, ACA

March 7, 2014

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

GreenStone Farm Credit Services, ACA

The GreenStone Farm Credit Services, ACA (the Association) 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, to provide 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 and 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 December 31, 2013. In making the assessment, management used the 1992 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 December 31, 2013, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2013.

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Travis D. Jones
Chief Financial Officer
GreenStone Farm Credit Services, ACA

March 7, 2014

REPORT OF AUDIT COMMITTEE

GreenStone Farm Credit Services, ACA

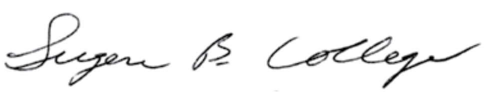
The consolidated financial statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of four members of the Board of Directors of GreenStone Farm Credit Services, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2013, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards No. 114, The Auditor's Communication with Those Charged with Governance, and both PwC and the internal auditors directly provided reports on significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Annual Report for the year ended December 31, 2013.



Eugene B. College
Chairperson of the Audit Committee
GreenStone Farm Credit Services, ACA

Andy Snider, William J. Stutzman, and Catherine L. Webster
Members of the Audit Committee

March 7, 2014

pwc

DRAFT

Independent Auditor's Report

To the Board of Directors and Members of GreenStone Farm Credit Services, ACA,

We have audited the accompanying consolidated financial statements of GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, which comprise the consolidated statements of condition as of December 31, 2013, 2012 and 2011, and the related consolidated statements of income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GreenStone Farm Credit Services, ACA and its subsidiaries at December 31, 2013, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

March 7, 2014

PricewaterhouseCoopers LLP, 225 South Sixth Street, Suite 1400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA
(In thousands)

As of December 31	2013	2012	2011
ASSETS			
Loans	$6,249,883	$5,726,832	$5,181,888
Allowance for loan losses	38,772	41,964	49,771
Net loans	6,211,111	5,684,868	5,132,117
Investment in AgriBank, FCB	157,945	151,615	145,621
Investment securities	32,233	40,757	33,820
Accrued interest receivable	43,327	38,015	39,767
Premises and equipment, net	33,342	30,764	30,360
Acquired property	12,751	31,928	62,172
Deferred tax assets, net	5,975	3,167	2,706
Other assets	44,530	46,955	42,182
Total assets	$6,541,214	$6,028,069	$5,488,745
LIABILITIES			
Note payable to AgriBank, FCB	$5,296,022	$4,903,770	$4,461,155
Accrued interest payable	20,108	19,721	20,685
Patronage distribution payable	29,000	26,495	23,313
Other liabilities	40,172	29,176	35,575
Total liabilities	5,385,302	4,979,162	4,540,728
Contingencies and commitments	—	—	—
MEMBERS' EQUITY			
Protected members' equity	3	3	4
Capital stock and participation certificates	20,614	19,742	18,512
Unallocated surplus	1,135,295	1,029,162	929,501
Total members' equity	1,155,912	1,048,907	948,017
Total liabilities and members' equity	$6,541,214	$6,028,069	$5,488,745

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

CONSOLIDATED STATEMENTS OF INCOME

GreenStone Farm Credit Services, ACA
(In thousands)

For the year ended December 31	2013	2012	2011
Interest income	$251,574	$240,958	$237,112
Interest expense	76,881	78,863	82,910
NET INTEREST INCOME	174,693	162,095	154,202
(Reversal of) provision for credit losses	(3,947)	10,045	16,490
NET INTEREST INCOME AFTER (REVERSAL OF) PROVISION FOR CREDIT LOSSES	178,640	152,050	137,712
Non-interest income			
Patronage income	29,017	26,005	23,889
Financially related services income	7,442	9,665	9,049
Fee income	3,295	3,408	3,408
Acquired property net loss	(7,828)	(10,152)	(753)
Allocated insurance reserve accounts distribution	—	5,209	—
Miscellaneous income, net	1,142	1,146	1,808
TOTAL NON-INTEREST INCOME	33,068	35,281	37,401
Operating expenses			
Salaries and employee benefits	46,134	40,709	38,106
Other operating expenses	26,298	23,036	22,430
TOTAL OPERATING EXPENSES	72,432	63,745	60,536
INCOME BEFORE INCOME TAXES	139,276	123,586	114,577
Provision for (benefit from) income taxes	4,166	(2,571)	(1,990)
NET INCOME	$135,110	$126,157	$116,567

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone Farm Credit Services, ACA
(In thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2010	$5	$17,599	$836,237	$853,841
Net income	—	—	116,567	116,567
Unallocated surplus designated for patronage distributions	—	—	(23,303)	(23,303)
Capital stock and participation certificates issued	—	2,066	—	2,066
Capital stock and participation certificates retired	(1)	(1,153)	—	(1,154)
Balance as of December 31, 2011	4	18,512	929,501	948,017
Net income	—	—	126,157	126,157
Unallocated surplus designated for patronage distributions	—	—	(26,496)	(26,496)
Capital stock and participation certificates issued	—	2,682	—	2,682
Capital stock and participation certificates retired	(1)	(1,452)	—	(1,453)
Balance as of December 31, 2012	3	19,742	1,029,162	1,048,907
Net income	—	—	135,110	135,110
Unallocated surplus designated for patronage distributions	—	—	(28,977)	(28,977)
Capital stock and participation certificates issued	—	2,324	—	2,324
Capital stock and participation certificates retired	—	(1,452)	—	(1,452)
Balance as of December 31, 2013	$3	$20,614	$1,135,295	$1,155,912

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

GreenStone Farm Credit Services, ACA
(In thousands)

For the year ended December 31	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$135,110	$126,157	$116,567
Depreciation on premises and equipment	2,847	2,890	2,961
Depreciation on assets held for lease	803	1,013	1,374
Loss (gain) on sale of premises and equipment and assets held for lease	64	450	(19)
Amortization of premiums on loans and investment securities, net	986	970	518
(Reversal of) provision for credit losses	(3,947)	10,045	16,490
Stock patronage received from Farm Credit Institutions	(7,873)	(7,308)	(8,617)
Write-down on acquired property	12,033	9,600	1,881
Gain on acquired property	(1,526)	(404)	(144)
Changes in operating assets and liabilities:			
Accrued interest receivable	(14,626)	(7,081)	(13,152)
Other assets	1,407	225	8,964
Accrued interest payable	387	(964)	(163)
Other liabilities	10,996	(6,399)	12,379
Net cash provided by operating activities	136,661	129,194	139,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loans, net	(512,087)	(551,625)	(312,619)
Redemptions of investment in AgriBank, FCB, net	1,530	1,300	6,556
Purchases of investment in other Farm Credit Institutions, net	(2,773)	(5,445)	(8,286)
Decrease (increase) in investment securities, net	7,596	(7,824)	(25,218)
Changes in acquired property, net	8,938	20,177	(2,660)
Purchases of premises and equipment and assets held for lease, net	(5,296)	(4,757)	(4,924)
Net cash used in investing activities	(502,092)	(548,174)	(347,151)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in note payable to AgriBank, FCB, net	392,252	442,615	226,555
Patronage distributions	(26,472)	(23,314)	(18,190)
Capital stock and participation certificates retired, net	(349)	(321)	(253)
Net cash provided by financing activities	365,431	418,980	208,112
Net change in cash	—	—	—
Cash at beginning of year	7	7	7
Cash at end of year	$7	$7	$7
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES			
Stock financed by loan activities	$2,273	$2,566	$2,008
Stock applied against loan principal	1,046	1,008	829
Stock applied against interest	6	8	14
Interest transferred to loans	9,308	8,825	10,838
Loans transferred to acquired property	5,959	12,694	13,609
Qualified cash patronage distributions payable to members	29,000	26,495	23,313
Financed sales of acquired property	5,691	13,565	2,004
SUPPLEMENTAL INFORMATION			
Interest paid	$76,494	$79,827	$83,073
Taxes (refunded) paid	688	(114)	5,891

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GreenStone Farm Credit Services, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

FARM CREDIT SYSTEM AND DISTRICT

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of December 31, 2013, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and eighty-two customer-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System bank, and its affiliated associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At December 31, 2013, the District consisted of seventeen Agricultural Credit Associations (ACAs) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers. Associations are also authorized to purchase and hold certain types of investments.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

ASSOCIATION

GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries) are lending institutions of the System. We are a member-owned cooperative providing credit and credit related services to, or for the benefit of, eligible members for qualified agricultural purposes in the state of Michigan and the counties of Brown, Door, Florence, Kewaunee, Manitowac, Marinette, Menominee, Oconto, Outagamie, Shawano, and Waupaca in the state of Wisconsin.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries and provides lease financing options for agricultural production or operating purposes. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options. The ACA and PCA make short-term and intermediate-term loans and provide lease financing options for agricultural production or operating purposes. At this time, the ACA holds all short-term and intermediate-term loans and the PCA has no assets.

We offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer farm records, fee appraisals, and income tax planning and preparation services to our members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES AND REPORTING POLICIES

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Certain amounts in prior years' financial statements have been reclassified to conform to the current year's presentation.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements present the consolidated financial results of GreenStone Farm Credit Services, ACA and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

SIGNIFICANT ACCOUNTING POLICIES

Loans: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Material fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. Other loan fees are netted with the related origination costs and included as an adjustment to net interest income. The net amount of these fees and expenses are not material to the consolidated financial statements taken as a whole.

We place loans in nonaccrual status when:

- principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or
- circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when:

- principal and interest are current,
- prior charge-offs have been recovered,
- the ability of the borrower to fulfill the contractual repayment terms is fully expected,
- the borrower has demonstrated payment performance, and
- the loan is not classified as doubtful or loss.

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses in our loan 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,
- estimated probability of default,
- estimated loss severity,
- portfolio quality, and
- current economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- accruing restructured loans, and
- accruing loans 90 days or more past due.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "(Reversal of) provision for credit losses" in the Consolidated Statements of Income, and recoveries and charge-offs.

Investment in AgriBank: Accounting for our stock investment in AgriBank is on a cost plus allocated equities basis.

Investment Securities: We are authorized to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through "Miscellaneous income, net" in the Consolidated Statements of Income in the period of impairment. The non-credit related component is recognized in other comprehensive income and amortized over the remaining life of the security as an increase in the security's carrying amount.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight line method over the estimated useful lives of the assets. Gains or losses on disposition are included in "Miscellaneous income, net" in the Consolidated Statements of Income. Depreciation, maintenance, and repair expenses are included in "Other operating expenses" in the Consolidated Statements of Income, and improvements are capitalized.

Acquired Property: Acquired property, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in "Acquired property net loss" in the Consolidated Statements of Income.

Leases: We have finance and operating leases. Under finance leases, unearned income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortize net unearned finance income to earnings using the interest method. The carrying amount of finance leases is included in "Loans" in the Consolidated Statements of Condition and represents lease rent receivables net of the unearned income plus the residual receivable. Under operating leases, property is recorded at cost and depreciated on a straight-line basis over the lease term to an estimated residual value. We recognize operating lease revenue evenly over the term of the lease and charge depreciation and other expenses against revenue as incurred in "Miscellaneous income, net" in the Consolidated Statements of Income. The amortized cost of operating leases is included in "Other assets" in the Consolidated Statements of Condition and represents the asset cost net of accumulated depreciation.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in the "Salaries and employee benefits" in the Consolidated Statements of Income.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee's contributions. We provide benefits under this plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred. All employees hired after December 31, 2006, only participate in this plan.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, be either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Certain employees also participate in the defined benefit retirement plan of the District. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001 are on the cash balance formula or on the final average pay formula. New benefits eligible employees hired between October 1, 2001 and December 31, 2006 are on the cash balance formula. Effective January 1, 2007, the defined benefit retirement plan was closed to new employees. The District plan utilizes the "Projected Unit Credit" actuarial method for financial reporting purposes and the "Entry Age Normal Cost" method for funding purposes.

Certain employees also participate in the non-qualified defined benefit Pension Restoration Plan of the AgriBank District. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Statements of Cash Flows: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets,
- quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly,
- inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates, and
- inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS

We have assessed the potential impact of accounting standards that have been issued, but are not yet effective, and have determined that no such standards are expected to have a material impact to our consolidated financial statements. In addition, no accounting pronouncements were adopted during 2013.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

As of December 31	2013 Amount	2013 Percentage	2012 Amount	2012 Percentage	2011 Amount	2011 Percentage
Real estate mortgage	$3,709,470	59.4%	$3,301,886	57.6%	$2,831,210	54.6%
Production and intermediate term	1,907,963	30.5	1,820,234	31.8	1,745,640	33.7
Agribusiness	346,387	5.5	321,429	5.6	322,382	6.2
Other	286,063	4.6	283,283	5.0	282,656	5.5
Total	$6,249,883	100.0%	$5,726,832	100.0%	$5,181,888	100.0%

The other category is comprised of rural residential real estate, communication, and energy related loans as well as finance leases and loans originated under our mission related investment authority.

PORTFOLIO CONCENTRATIONS

We have individual borrower, agricultural, and territorial concentrations.

As of December 31, 2013, volume plus commitments to our ten largest borrowers totaled an amount equal to 5.0% of total loans and commitments.

Agricultural concentrations were as follows:

As of December 31	2013	2012	2011
Dairy	22.4%	22.9%	23.1%
Country home living	20.3	20.8	20.4
Cash crops	20.1	20.0	19.5
Timber	4.6	3.5	2.6
Agribusiness	3.8	4.7	4.8
Hogs	3.7	3.5	3.9
Fruit	3.5	3.1	3.1
Livestock	2.9	3.1	2.7
Greenhouse and nursery	2.5	2.8	3.3
Potatoes	2.1	1.9	1.8
Sugar beets	1.7	1.6	1.5
Broilers	1.5	2.3	—
Vegetables	1.3	1.4	1.4
Landlords	0.9	1.2	1.2
Food products and distribution	0.8	0.8	0.8
Grains and field beans	0.7	1.0	0.9
Poultry	0.6	1.1	4.6
Government guarantee	0.6	0.9	0.9
Non agribusiness	0.1	0.1	0.1
Other	5.9	3.3	3.4
Total	100.0%	100.0%	100.0%

We are chartered to operate throughout Michigan and in certain counties in Wisconsin. Our portfolio is fairly evenly distributed among the territory with no material concentrations in any one county. This is evidenced by there being no individual county representing greater than 5.0% of our total loan volume at December 31, 2013.

While these concentrations represent our maximum potential credit risk as it relates to recorded loan principal, a substantial portion of our lending activities are collateralized. This reduces our exposure to credit loss associated with our lending activities. We consider credit risk exposure in establishing the allowance for loan losses.

PARTICIPATIONS

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with FCA Regulations or General Financing Agreement (GFA) limitations. The following table presents information regarding participations purchased and sold (in thousands):

	AgriBank, FCB Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2013	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ —	$(382,198)	$206,625	$(88,020)	$126,913	$—	$333,538	$(470,218)
Production and intermediate term	—	(21,050)	209,506	(57,765)	63,687	(13)	273,193	(78,828)
Agribusiness	—	(709)	178,428	(9,858)	—	—	178,428	(10,567)
Other	—	(12,033)	61,383	—	—	—	61,383	(12,033)
Total	$ —	$(415,990)	$655,942	$(155,643)	$190,600	$(13)	$846,542	$(571,646)
As of December 31, 2012								
Real estate mortgage	$ —	$(435,001)	$122,306	$(72,070)	$123,986	$ —	$246,292	$(507,071)
Production and intermediate term	—	(28,218)	208,134	(46,392)	142,520	(16)	350,654	(74,626)
Agribusiness	—	(788)	158,034	(9,921)	8,750	—	166,784	(10,709)
Other	—	(13,941)	60,836	—	—	—	60,836	(13,941)
Total	$ —	$(477,948)	$549,310	$(128,383)	$275,256	$(16)	$824,566	$(606,347)
As of December 31, 2011								
Real estate mortgage	$ —	$(487,487)	$99,376	$(74,699)	$125,085	$(6,142)	$224,461	$(568,328)
Production and intermediate term	—	(27,562)	208,471	(37,451)	114,396	—	322,867	(65,013)
Agribusiness	—	(1,809)	143,040	(32,231)	10,930	—	153,970	(34,040)
Other	—	(15,177)	59,653	—	—	—	59,653	(15,177)
Total	$ —	$(532,035)	$510,540	$(144,381)	$250,411	$(6,142)	$760,951	$(682,558)

Information in the preceding chart excludes loans entered into under our Mission Related Investment authority.

CREDIT QUALITY AND DELINQUENCY

One credit quality indicator we utilize is the FCA Uniform Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable: loans are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM): loans are currently collectible but exhibit some potential weakness,
- Substandard: loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful: loans exhibit similar weaknesses to substandard loans; however, doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable, and
- Loss: loans are considered uncollectible.

The following table summarizes loans and related accrued interest receivable classified under the FCA Uniform Classification System by loan type (dollars in thousands):

	Acceptable		OAEM		Substandard/ Doubtful/Loss		Total	
As of December 31, 2013	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$3,590,969	96.2%	$41,411	1.1%	$101,232	2.7%	$3,733,612	100.0%
Production and intermediate term	1,854,047	96.3	14,014	0.7	57,080	3.0	1,925,141	100.0
Agribusiness	336,581	96.8	2,445	0.7	8,565	2.5	347,591	100.0
Other	270,650	94.5	4,585	1.6	11,289	3.9	286,524	100.0
Total	$6,052,247	96.2%	$62,455	1.0%	$178,166	2.8%	$6,292,868	100.0%
As of December 31, 2012								
Real estate mortgage	$3,157,769	95.1%	$40,593	1.2%	$124,071	3.7%	$3,322,433	100.0%
Production and intermediate term	1,760,390	95.8	8,304	0.5	67,169	3.7	1,835,863	100.0
Agribusiness	280,259	86.9	21,215	6.6	21,033	6.5	322,507	100.0
Other	265,838	93.7	4,457	1.6	13,414	4.7	283,709	100.0
Total	$5,464,256	94.8%	$74,569	1.3%	$225,687	3.9%	$5,764,512	100.0%
As of December 31, 2011								
Real estate mortgage	$2,669,879	93.6%	$69,874	2.5%	$112,301	3.9%	$2,852,054	100.0%
Production and intermediate term	1,679,294	95.3	22,308	1.3	60,743	3.4	1,762,345	100.0
Agribusiness	285,300	88.1	35,135	10.8	3,421	1.1	323,856	100.0
Other	262,930	92.9	4,348	1.5	15,884	5.6	283,162	100.0
Total	$4,897,403	93.8%	$131,665	2.5%	$192,349	3.7%	$5,221,417	100.0%

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (in thousands):

As of December 31, 2013	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	$14,324	$9,503	$23,827	$3,709,785	$3,733,612
Production and intermediate term	6,422	1,287	7,709	1,917,432	1,925,141
Agribusiness	—	—	—	347,591	347,591
Other	4,403	700	5,103	281,421	286,524
Total	$25,149	$11,490	$36,639	$6,256,229	$6,292,868
As of December 31, 2012					
Real estate mortgage	$18,691	$7,158	$25,849	$3,296,584	$3,322,433
Production and intermediate term	5,742	2,495	8,237	1,827,626	1,835,863
Agribusiness	82	206	288	322,219	322,507
Other	4,293	1,866	6,159	277,550	283,709
Total	$28,808	$11,725	$40,533	$5,723,979	$5,764,512
As of December 31, 2011					
Real estate mortgage	$16,194	$12,811	$29,005	$2,823,049	$2,852,054
Production and intermediate term	13,337	6,070	19,407	1,742,938	1,762,345
Agribusiness	—	82	82	323,774	323,856
Other	4,627	3,100	7,727	275,435	283,162
Total	$34,158	$22,063	$56,221	$5,165,196	$5,221,417

RISK LOANS

The following table presents risk loan information (accruing loans include accrued interest receivable) (in thousands):

As of December 31	2013	2012	2011
Nonaccrual loans:			
Current	$41,652	$47,928	$56,094
Past due	16,233	22,176	36,357
Total nonaccrual loans	57,885	70,104	92,451
Accruing restructured loans	1,923	850	238
Total risk loans	$59,808	$70,954	$92,689
Volume with specific reserves	$39,030	$45,517	$69,916
Volume without specific reserves	20,778	25,437	22,773
Total risk loans	$59,808	$70,954	$92,689
Total specific reserves	$17,168	$20,067	$25,898
For the year ended December 31	**2013**	**2012**	**2011**
Income on accrual risk loans	$75	$24	$79
Income on nonaccrual loans	1,223	1,511	2,318
Total income on risk loans	$1,298	$1,535	$2,397
Average risk loans	$65,841	$84,504	$82,536

Nonaccrual loan assets decreased from $70.1 million (1.2% of loans) as of December 31, 2012 to $57.9 million (0.9% of loans) as of December 31, 2013. This $12.2 million decrease in nonaccrual volume was partially attributable to a large dairy relationship paid off in 2013 totaling $2.9 million at December 31, 2012 and the pay-down of $1.3 million of a livestock relationship during 2013. In addition, a large greenhouse/nursery relationship totaling $1.0 million at December 31, 2012 was transferred to acquired property. The remaining decrease was primarily due to a combination of additional pay-downs, transfers to acquired property, and improved credit quality. As of December 31, 2013, approximately 37% of the nonaccrual loan portfolio was comprised of greenhouse/nursery loans, 22% part-time farmers, 15% dairy, and 10% general livestock farms.

Accruing restructured loans increased slightly during 2013 from $850 thousand as of December 31, 2012 to $1.9 million as of December 31, 2013. At December 31, 2013, 100% of our accruing restructured loans were current in their payment status.

To mitigate credit risk, we have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac). In the event of default, subject to certain conditions, we have the right to sell the loans identified in the agreement to Farmer Mac. This agreement remains in place until receipt of full payment. The net investment of loans subject to the purchase agreement was $11.0 million, $11.8 million, and $12.3 million at December 31, 2013, 2012, and 2011, respectively. Fees paid to Farmer Mac for these commitments totaled $59 thousand, $64 thousand, and $53 thousand in 2013, 2012, and 2011, respectively. These amounts are included in “Other operating expenses” in the Consolidated Statements of Income. As of December 31, 2013, no sales of loans to Farmer Mac have been made under this agreement.

Nonaccrual loans by loan type were as follows (in thousands):

As of December 31	2013	2012	2011
Real estate mortgage	$31,863	$37,298	$49,354
Production and intermediate term	21,387	26,850	35,378
Agribusiness	—	331	213
Other	4,635	5,625	7,506
Total	$57,885	$70,104	$92,451

There were no loans 90 days or more past due and still accruing interest at December 31, 2013, 2012, and 2011.

All risk loans are considered to be impaired loans. The following table provides additional impaired loan information (in thousands):

	As of December 31, 2013			For the year ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$21,993	$24,287	$7,943	$23,941	$ —
Production and intermediate term	14,514	16,185	8,410	15,868	—
Agribusiness	—	—	—	79	—
Other	2,523	3,201	815	2,936	—
Total	$39,030	$43,673	$17,168	$42,824	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$11,322	$27,039	$—	$12,327	$1,065
Production and intermediate term	7,344	14,843	—	8,029	99
Agribusiness	—	60	—	72	—
Other	2,112	6,139	—	2,589	134
Total	$20,778	$48,081	$—	$23,017	$1,298
Total impaired loans:					
Real estate mortgage	$33,315	$51,326	$7,943	$36,268	$1,065
Production and intermediate term	21,858	31,028	8,410	23,897	99
Agribusiness	—	60	—	151	—
Other	4,635	9,340	815	5,525	134
Total	$59,808	$91,754	$17,168	$65,841	$1,298

	As of December 31, 2012			For the year ended December 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$19,581	$24,486	$6,010	$23,753	$ —
Production and intermediate term	22,081	32,155	12,620	25,592	—
Agribusiness	283	298	232	212	—
Other	3,572	4,306	1,205	4,225	—
Total	$45,517	$61,245	$20,067	$53,782	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$18,441	$35,750	$ —	$22,376	$383
Production and intermediate term	4,894	16,174	—	5,643	407
Agribusiness	49	121	—	112	584
Other	2,053	5,452	—	2,591	161
Total	$25,437	$57,497	$ —	$30,722	$1,535
Total impaired loans:					
Real estate mortgage	$38,022	$60,236	$6,010	$46,129	$383
Production and intermediate term	26,975	48,329	12,620	31,235	407
Agribusiness	332	419	232	324	584
Other	5,625	9,758	1,205	6,816	161
Total	$70,954	$118,742	$20,067	$84,504	$1,535

	As of December 31, 2011			For the year ended December 31, 2011	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$30,510	$33,540	$8,814	$22,256	$ —
Production and intermediate term	34,389	43,048	15,585	20,288	—
Agribusiness	53	859	32	358	—
Other	4,964	6,489	1,467	4,387	—
Total	$69,916	$83,936	$25,898	$47,289	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$19,082	$36,752	$ —	$23,875	$1,477
Production and intermediate term	989	12,041	—	6,828	593
Agribusiness	160	322	—	1,607	98
Other	2,542	4,146	—	2,937	229
Total	$22,773	$53,261	$ —	$35,247	$2,397
Total impaired loans:					
Real estate mortgage	$49,592	$70,292	$8,814	$46,131	$1,477
Production and intermediate term	35,378	55,089	15,585	27,116	593
Agribusiness	213	1,181	32	1,965	98
Other	7,506	10,635	1,467	7,324	229
Total	$92,689	$137,197	$25,898	$82,536	$2,397

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

Unpaid principal balance represents the contractual principal balance of the loan.

We had two relationships to lend additional money to borrowers whose loans were at risk at December 31, 2013. The balance of the unfunded loan commitments were $2.4 million. See the allowance for loan losses section in Note 3 for further discussion.

TROUBLED DEBT RESTRUCTURINGS

Included within our loans are troubled debt restructurings. These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including troubled debt restructurings, are analyzed within our allowance for loan losses.

The following table presents information regarding troubled debt restructurings (in thousands):

For the year ended December 31

	2013		2012		2011	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	$200	$194	$2,367	$2,362	$3,959	$3,959
Production and intermediate term	2,186	2,186	2,045	2,060	1,275	1,275
Agribusiness	—	—	—	—	82	82
Other	—	—	—	—	580	580
Total	$2,386	$2,380	$4,412	$4,422	$5,896	$5,896

Pre-modification outstanding represents the recorded investment of the loan just prior to restructuring and post-modification outstanding represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

The following table presents troubled debt restructurings that defaulted during the years ended December 31 in which the modification date was within 12 months of the respective reporting period (in thousands):

	2013	2012	2011
Real estate mortgage	$—	$764	$1,612
Production and intermediate term	31	187	252
Agribusiness	—	—	82
Other	—	—	272
Total	$31	$951	$2,218

The following table presents information regarding troubled debt restructurings outstanding as of December 31 (in thousands):

	2013	2012	2011
Troubled debt restructurings	$5,924	$6,169	$6,738
Troubled debt restructurings in nonaccrual status	4,001	5,319	6,500

There were no additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at December 31, 2013.

ALLOWANCE FOR LOAN LOSSES

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

For the year ended December 31	2013	2012	2011
Balance at beginning of year	$41,964	$49,771	$43,293
(Reversal of) provision for loan losses	(6,355)	10,045	16,490
Loan recoveries	7,218	2,406	3,264
Loan charge-offs	(4,055)	(20,258)	(13,276)
Balance at end of year	$38,772	$41,964	$49,771

The allowance for losses decreased $3.2 million from December 31, 2012 to December 31, 2013. The decrease in allowance for loan losses is primarily due to improved credit quality.

The "(Reversal of) provision for credit losses" in the Consolidated Statements of Income includes a (reversal of) provision for loan losses as presented in the previous chart as well as a provision for credit losses on unfunded loan commitments. During the year ended December 31, 2013, $2.4 million of provision expense was recorded to establish a reserve on unfunded loan commitments. The accrued credit losses are recorded in "Other liabilities" in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $2.4 million as of December 31, 2013. No credit losses of this nature were accrued as of December 31, 2012 or 2011.

A summary of changes in the allowance for loan losses and period end recorded investments in loans by loan type (loans outstanding includes accrued interest receivable) is as follows (in thousands):

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2012	$13,697	$18,607	$7,379	$2,281	$41,964
Provision for (reversal of) loan losses	769	(1,151)	(6,374)	401	(6,355)
Loan recoveries	1,334	3,735	2,022	127	7,218
Loan charge-offs	(2,038)	(987)	(25)	(1,005)	(4,055)
Balance as of December 31, 2013	$13,762	$20,204	$3,002	$1,804	$38,772
Ending balance: individually evaluated for impairment	$7,943	$8,410	$—	$815	$17,168
Ending balance: collectively evaluated for impairment	$5,819	$11,794	$3,002	$989	$21,604
Recorded investments in loans outstanding:					
Ending balance as of December 31, 2013	$3,733,612	$1,925,141	$347,591	$286,524	$6,292,868
Ending balance: individually evaluated for impairment	$33,315	$21,858	$—	$4,635	$59,808
Ending balance: collectively evaluated for impairment	$3,700,297	$1,903,283	$347,591	$281,889	$6,233,060

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2011	$17,819	$28,661	$576	$2,715	$49,771
Provision for (reversal of) loan losses	4,782	(2,700)	6,796	1,167	10,045
Loan recoveries	1,600	794	9	3	2,406
Loan charge-offs	(10,504)	(8,148)	(2)	(1,604)	(20,258)
Balance as of December 31, 2012	$13,697	$18,607	$7,379	$2,281	$41,964
Ending balance: individually evaluated for impairment	$6,010	$12,620	$232	$1,205	$20,067
Ending balance: collectively evaluated for impairment	$7,687	$5,987	$7,147	$1,076	$21,897
Recorded investments in loans outstanding:					
Ending balance as of December 31, 2012	$3,322,433	$1,835,863	$322,507	$283,709	$5,764,512
Ending balance: individually evaluated for impairment	$38,022	$26,975	$332	$5,625	$70,954
Ending balance: collectively evaluated for impairment	$3,284,411	$1,808,888	$322,175	$278,084	$5,693,558

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2010	$23,494	$15,056	$2,569	$2,174	$43,293
(Reversal of) provision for loan losses	(1,029)	18,627	(2,419)	1,311	16,490
Loan recoveries	1,845	841	475	103	3,264
Loan charge-offs	(6,491)	(5,863)	(49)	(873)	(13,276)
Balance as of December 31, 2011	$17,819	$28,661	$576	$2,715	$49,771
Ending balance: individually evaluated for impairment	$8,814	$15,585	$32	$1,467	$25,898
Ending balance: collectively evaluated for impairment	$9,005	$13,076	$544	$1,248	$23,873
Recorded investments in loans outstanding:					
Ending balance as of December 31, 2011	$2,852,054	$1,762,345	$323,856	$283,162	$5,221,417
Ending balance: individually evaluated for impairment	$49,592	$35,378	$213	$7,506	$92,689
Ending balance: collectively evaluated for impairment	$2,802,462	$1,726,967	$323,643	$275,656	$5,128,728

ACQUIRED PROPERTY

Acquired property is real and personal property acquired through foreclosure or deed in lieu of foreclosure. Acquired property was $12.8 million, $31.9 million, and $62.2 million at December 31, 2013, 2012, and 2011, respectively. The improvement in acquired property was primarily due to the sale of 116 acquired properties during 2013 being partially offset by 67 properties being added to the acquired property portfolio. In addition, a $10.6 million write-down was taken during 2013 on a large timber property. As of December 31, 2013, $11.0 million, or 86.3%, of the acquired property was comprised of two large assets. These assets are related to the timber and greenhouse/nursery industries.

NOTE 4: INVESTMENT IN AGRIBANK

As of December 31, 2013, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate.

As of December 31, 2013, we were also required by AgriBank to maintain an investment equal to 8.0% of the quarter end balance of the participation interests in real estate loans sold to AgriBank under the Asset Pool program.

The balance of our investment in AgriBank, all required stock, was $157.9 million, $151.6 million, and $145.6 million at December 31, 2013, 2012, and 2011, respectively.

Effective January 1, 2014, we entered into a contractual agreement with AgriBank whereby our required investment in AgriBank was reduced by $40.0 million. In return for this lower required investment amount, we agreed to pay an additional spread on a portion of our note payable with AgriBank equal to the reduction in our required investment.

NOTE 5: INVESTMENT SECURITIES

We held investment securities of $32.2 million, $40.8 million, and $33.8 million at December 31, 2013, 2012, and 2011, respectively. Our investment securities consisted of loans guaranteed by the Small Business Administration. 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 further information on investment securities (dollars in thousands):

As of December 31	2013	2012	2011
Amortized cost	$32,233	$40,757	$33,820
Unrealized gains	666	1,116	364
Unrealized losses	—	—	(6)
Fair value	$32,899	$41,873	$34,178
Weighted average yield	1.3%	1.7%	2.0%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $458 thousand, $707 thousand, and $548 thousand in 2013, 2012, and 2011, respectively.

NOTE 6: PREMISES AND EQUIPMENT

Premises and equipment consisted of the following (in thousands):

As of December 31	2013	2012	2011
Land, buildings, and improvements	$37,965	$35,451	$33,945
Furniture and equipment	17,027	21,732	20,271
Subtotal	54,992	57,183	54,216
Less: accumulated depreciation	21,650	26,419	23,856
Premises and equipment, net	$33,342	$30,764	$30,360

NOTE 7: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and our assets serve as collateral. The following table summarizes note payable information (dollars in thousands):

As of December 31	2013	2012	2011
Line of credit	$6,000,000	$6,000,000	$5,000,000
Outstanding principal under the line of credit	5,296,022	4,903,770	4,461,155
Interest rate	1.5%	1.6%	1.9%

Our note payable matured on January 31, 2014 and was renewed with an effective date of February 1, 2014 for $6.5 billion with a maturity date of January 31, 2015. The note payable will be renegotiated at that time.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. At December 31, 2013, and throughout the year, we were within the specified limitations and in compliance with all debt covenants.

NOTE 8: MEMBERS' EQUITY

CAPITALIZATION REQUIREMENTS

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, our Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all customers to whom a lease is issued and of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

PROTECTION MECHANISMS

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988 as a requirement for obtaining a loan. If we were to be unable to retire protected borrower equity at par value or stated value, the FCSIC would provide the amounts needed to retire this equity.

REGULATORY CAPITALIZATION REQUIREMENTS

Under capital adequacy regulations, we are required to maintain a permanent capital ratio of at least 7.0%, a total surplus ratio of at least 7.0%, and a core surplus ratio of at least 3.5%. The calculation of these ratios in accordance with the FCA Regulations is discussed as follows:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At December 31, 2013, our ratio was 14.7%.
- 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 December 31, 2013, our ratio was 14.3%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any excess stock investment in AgriBank divided by average risk-adjusted assets. At December 31, 2013, our ratio was 14.3%.

Regulatory capital includes all of our investment in AgriBank that is in excess of the required investment under an allotment agreement with AgriBank. We had no excess stock at December 31, 2013, 2012, or 2011.

DESCRIPTION OF EQUITIES

The following table presents information regarding classes and number of shares of stock and participation certificates outstanding as of December 31, 2013. All shares and participation certificates are stated at a $5.00 par value.

	Shares Outstanding
Class A common stock (protected)	1
Class B common stock (at-risk)	3,637,747
Class E participation certificates (at-risk)	485,199
Class F participation certificates (protected)	551

Under our bylaws, we are also authorized to issue Class C and Class D common stock. Each of these classes of stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class B common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2013, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In accordance with our bylaws, in the event of our liquidation or dissolution, any assets remaining after payment or retirement of all liabilities shall be distributed pro rata to all holders of stock and participation certificates.

In the event of impairment, losses will be absorbed by concurrent impairment of all classes of stock and participation certificates; however, protected stock will be retired at par value regardless of impairment.

All classes of stock and participation certificates, except Class A common stock and Class F participation certificates are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

PATRONAGE DISTRIBUTIONS

We accrued patronage distributions of $29.0 million, $26.5 million, and $23.3 million at December 31, 2013, 2012, and 2011, respectively. The patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

The FCA Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. We do not foresee any events that would result in this prohibition in 2014.

NOTE 9: INCOME TAXES

PROVISION FOR (BENEFIT FROM) INCOME TAXES

Our provision for (benefit from) income taxes follows (dollars in thousands):

For the year ended December 31	2013	2012	2011
Current:			
Federal	$6,207	$(2,433)	$3,899
State	767	323	668
Total current	6,974	(2,110)	4,567
Deferred:			
Federal	(2,713)	(349)	(6,280)
State	(95)	(112)	(277)
Total deferred	(2,808)	(461)	(6,557)
Provision for (benefit from) income taxes	$4,166	$(2,571)	$(1,990)
Effective tax rate	3.0%	(2.1%)	(1.7%)

The following table quantifies the differences between the provision for (benefit from) income taxes and income taxes at the statutory rates (in thousands):

For the year ended December 31	2013	2012	2011
Federal tax at statutory rate	$48,747	$42,019	$38,956
Impact of graduated rates	(129)	—	—
State tax, net	525	150	179
Patronage distributions	(5,425)	(4,546)	(4,756)
Effect of non-taxable entity	(38,794)	(38,811)	(35,498)
Other	(758)	(1,383)	(871)
Provision for (benefit from) income taxes	$4,166	$(2,571)	$(1,990)

DEFERRED INCOME TAXES

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition. Deferred tax assets and liabilities were composed of the following (in thousands):

As of December 31	2013	2012	2011
Allowance for loan losses	$8,698	$9,544	$9,007
Postretirement benefit accrual	1,017	1,042	1,019
Net operating loss carryforward	1,889	—	—
Accrued incentive	998	948	867
Acquired property reserve	753	—	—
Leasing related, net	(2,321)	(2,874)	(3,389)
Accrued patronage income not received	(912)	(801)	(830)
AgriBank 2002 allocated stock	(1,714)	(1,755)	(1,711)
Accrued pension asset	(1,544)	(1,678)	(1,662)
Depreciation	(593)	(916)	(1,015)
Other assets	164	151	812
Other liabilities	(460)	(494)	(392)
Deferred tax assets, net	$5,975	$3,167	$2,706
Gross deferred tax assets	$13,519	$11,685	$11,705
Gross deferred tax liabilities	$(7,544)	$(8,518)	$(8,999)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2013, 2012, or 2011.

We have not provided for deferred income taxes on approximately $46.0 million of patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $945.4 million as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2013. In addition, we believe we are no longer subject to income tax examinations for years prior to 2010.

NOTE 10: EMPLOYEE BENEFIT PLANS

PENSION AND POST-EMPLOYMENT BENEFIT PLANS

Complete financial information for the pension and post-employment benefit plans may be found in the Combined AgriBank and Affiliated Associations 2013 Annual Report (District financial statements).

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Coordinating Committee (a subset of the Plan Sponsor Committee comprised of AgriBank District representatives) is responsible for decisions regarding retirement benefits at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This Plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Because of the multi-employer nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

As disclosed in the District financial statements, the defined benefit pension plan reflects an unfunded liability totaling $255.2 million at December 31, 2013. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The projected benefit obligation of the District-wide plan was $1.0 billion, $1.1 billion, and $934.8 million at December 31, 2013, 2012, and 2011, respectively. The fair value of the plan assets was $759.5 million, $640.1 million, and $557.6 million at December 31, 2013, 2012, and 2011, respectively. The accumulated benefit obligation, which is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation, exceeds pension plan assets. The accumulated benefit obligation for the District-wide plan was $864.2 million, $908.2 million, and $788.0 million at December 31, 2013, 2012, and 2011, respectively. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Total plan expense for participating employers was $63.3 million, $52.7 million, and $44.0 million for 2013, 2012, and 2011, respectively. Our allocated share of plan expenses included in "Salaries and employee benefits" in the Consolidated Statements of Income was $6.0 million, $5.1 million, and $4.2 million for 2013, 2012, and 2011, respectively. Participating employers contributed $59.0 million, $51.3 million, and $27.9 million to the plan in 2013, 2012, and 2011, respectively. Our allocated share of these pension contributions was $5.6 million, $4.9 million, and $2.6 million for 2013, 2012, and 2011, respectively. Benefits paid to participants in the District were $49.8 million in 2013, none of which were paid to our senior officers who were actively employed during the year. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plans during 2014 is $32.6 million. Our allocated share of these pension contributions is expected to be $3.1 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plan. The anticipated costs of these benefits are accrued during the period of the employee's active status. Postretirement benefit cost included in "Salaries and employee benefits" in the Consolidated Statements of Income were $120 thousand, $98 thousand, and $146 thousand for 2013, 2012, and 2011, respectively. Our cash contributions, equal to the benefits paid, were $149 thousand, $155 thousand, and $162 thousand for 2013, 2012, and 2011, respectively.

Nonqualified Retirement Plan: We also participate in the District-wide non-qualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

As disclosed in the District financial statements, the Pension Restoration Plan reflects an unfunded liability totaling $25.3 million at December 31, 2013. This plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The projected benefit obligation of the Pension Restoration Plan was $25.3 million, $23.5 million, and $16.6 million at December 31, 2013, 2012, and 2011, respectively. The accumulated benefit obligation for the Pension Restoration Plan was $19.8 million, $17.5 million, and $13.6 million at December 31, 2013, 2012, and 2011, respectively. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees. Total Pension Restoration Plan expense for participating employers was $3.6 million, $2.4 million, and $2.5 million for 2013, 2012, and 2011, respectively. Our allocated share of plan expenses included in "Salaries and employee benefits" in the Consolidated Statements of Income was $467 thousand, $331 thousand, and $317 thousand for 2013, 2012, and 2011, respectively. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions, equal to the benefits paid, were $258 thousand for 2013, 2012, and 2011. There were no benefits paid under the Pension Restoration Plan to our senior officers who were actively employed during the year.

RETIREMENT SAVINGS PLAN

We participate in a defined contribution retirement savings plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2% and 50 cents on the dollar on the next 4% on both pre-tax and post-tax contributions. The maximum employer match is 4%. For employees hired after December 31, 2006, we contribute 3% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6% on both pre-tax and post-tax contributions. The maximum employer contribution is 9%.

We also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, be either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Employer contribution expenses for the retirement savings plans, included in "Salaries and employee benefits" in the Consolidated Statements of Income, were $2.0 million, $1.7 million, and $1.5 million in 2013, 2012, and 2011, respectively. These expenses were equal to our cash contributions for each year.

NOTE 11: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions are subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2013 involved more than a normal risk of collectability.

The following table presents information on loans and leases to related parties (in thousands):

	2013	2012	2011
As of December 31:			
Total related party loans and leases	$36,862	$21,362	$18,704
For the year ended December 31:			
Advances to related parties	$37,675	$18,958	$9,038
Repayments by related parties	41,226	21,752	17,171

The related parties can be different each year end primarily due to changes in the composition of our Board of Directors. Advances and repayments to related parties at the end of each year are included in the preceding chart.

We purchase various services from AgriBank including financial and retail systems, support, financial reporting, technology services, and insurance services. The total cost of services we purchased from AgriBank was $1.8 million, $1.8 million, and $1.7 million in 2013, 2012, and 2011, respectively.

We also purchase human resource information systems, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). Foundations was operated as a part of AgriBank prior to January 1, 2012 when it formed a separate System service corporation. The System entities using Foundations' services contributed an investment into the service corporation in January 2012. Our investment was $59 thousand at December 31, 2013 and 2012. The total cost of services purchased from Foundations was $226 thousand and $223 thousand in 2013 and 2012, respectively.

NOTE 12: CONTINGENCIES AND COMMITMENTS

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

We may be named as a defendant in 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.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk not recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. At December 31, 2013, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $1.8 billion. Additionally, we had $24.0 million of issued standby letters of credit as of December 31, 2013. At December 31, 2013, we had commercial letters of credit of $37 thousand.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies.

NOTE 13: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 for a more complete description of the three input levels.

NON-RECURRING BASIS

We do not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2013, 2012, or 2011. 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 follows (in thousands):

As of December 31, 2013	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Loans	$ —	$11,142	$11,812	$22,954	$(1,156)
Acquired property	—	1,746	11,005	12,751	(10,507)
Unfunded loan commitments	—	—	2,408	2,408	(2,408)

As of December 31, 2012	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Loans	$ —	$14,125	$12,597	$26,722	$(14,427)
Acquired property	—	5,601	27,538	33,139	(9,196)

As of December 31, 2011	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Loans	$ —	$33,770	$12,454	$46,224	$(5,421)
Acquired property	—	52,502	12,475	64,977	(1,737)

VALUATION TECHNIQUES

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. 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. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Acquired property: 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.

Unfunded loan commitments: Estimating the fair value of unfunded loan commitments is determined by the inherent credit loss in such instruments.

Refer to Note 2 for a description of the methods used to determine the fair value hierarchy.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of all our financial instruments is as follows (in thousands):

	2013		2012		2011	
As of December 31	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:						
Net loans	$6,211,111	$6,170,946	$5,684,868	$5,772,302	$5,132,117	$5,232,867
Investment securities	32,233	32,899	40,757	41,873	33,820	34,178
Financial liabilities:						
Note payable to AgriBank , FCB	$5,296,022	$5,249,887	$4,903,770	$4,963,933	$4,461,155	$4,519,324
Unfunded loan commitments	2,408	2,408	—	—	—	—
Unrecognized financial instruments:						
Commitments to extend credit and letters of credit	—	$(2,318)	—	$(2,109)	—	$(1,626)

Quoted market prices are generally not available for our financial instruments. Accordingly, we base fair values on:

- judgments regarding future expected losses,
- current economic conditions,
- risk characteristics of various financial instruments,
- credit risk, and
- other factors.

These estimates involve uncertainties, matters of judgment, and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimating the fair value of our investment in AgriBank is not practical because the stock is not traded. As discussed in Notes 2 and 4, the investment is a requirement of borrowing from AgriBank.

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, for which it is practical to estimate that value, follows:

Net loans: Because no active market exists for our loans, fair value is estimated by discounting the expected future cash flows using current interest rates at which similar loans would be made or repriced to borrowers with similar credit risk. In addition, loans are valued using the Farm Credit interest rate yield curve, prepayment rates, contractual loan information, credit classification, and collateral values. As the discount rates are based upon internal pricing mechanisms and other management estimates, management has no basis to determine whether the fair values presented would be indicative of the exit price negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of System borrowers, could render our portfolio less marketable outside the System.

For fair value of loans individually impaired, we assume collection will result only from the sale of the underlying collateral. Fair value is estimated to equal the total net realizable value of the underlying collateral.

Investment securities: If an active market exists, the fair value is based on currently quoted market prices. For those securities for which an active market does not exist, we estimate the fair value of these investments by discounting the expected future cash flows using current interest rates adjusted for credit risk.

Note payable to AgriBank: Estimating the fair value of the note payable to AgriBank is determined by segregating the note into pricing pools according to the types and terms of the underlying loans funded. We discount the estimated cash flows from these pools using the current rate charged by AgriBank for additional borrowings with similar characteristics.

Unfunded loan commitments: Estimating the fair value of unfunded loan commitments is determined by the inherent credit loss in such instruments.

Commitments to extend credit and letters of credit: Estimating the fair value of commitments and letters of credit is determined by the inherent credit loss in such instruments.

NOTE 15: QUARTERLY FINANCIAL INFORMATION (Unaudited)

Quarterly consolidated results of operations for the years ended December 31, 2013, 2012, and 2011 follow (in thousands):

2013	First	Second	Third	Fourth	Total
Net interest income	$42,198	$42,873	$44,246	$45,376	$174,693
(Reversal of) provision for credit losses	(1,280)	(1,312)	(2,050)	695	(3,947)
Patronage income	6,151	5,877	5,850	11,139	29,017
Other expense, net	13,840	15,202	12,158	27,181	68,381
Provision for (benefit from) income taxes	2,291	2,731	2,235	(3,091)	4,166
Net income	$33,498	$32,129	$37,753	$31,730	$135,110

2012	First	Second	Third	Fourth	Total
Net interest income	$39,166	$39,419	$41,094	$42,416	$162,095
(Reversal of) provision for credit losses	(1,762)	(1,401)	5,681	7,527	10,045
Patronage income	5,304	6,207	5,240	9,254	26,005
Other expense, net	11,355	7,704	20,150	15,260	54,469
Provision for (benefit from) income taxes	1,095	2,061	(3,948)	(1,779)	(2,571)
Net income	$33,782	$37,262	$24,451	$30,662	$126,157

2011	First	Second	Third	Fourth	Total
Net interest income	$36,472	$38,044	$38,536	$41,150	$154,202
Provision for credit losses	6,710	695	141	8,944	16,490
Patronage income	4,880	5,250	4,602	9,157	23,889
Other expense, net	9,658	12,280	12,356	12,730	47,024
Provision for (benefit from) income taxes	13	2,034	(1,430)	(2,607)	(1,990)
Net income	$24,971	$28,285	$32,071	$31,240	$116,567

NOTE 16: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 7, 2014, which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our 2013 consolidated financial statements or disclosures in the Notes to Consolidated Financial Statements, except as noted below.

Effective January 1, 2014, we entered into a contractual agreement with AgriBank whereby our required investment in AgriBank was reduced by $40.0 million. In return for this lower required investment amount, we agreed to pay an additional spread on a portion of our note payable with AgriBank equal to the reduction in our required investment.

On January 2, 2014, we sold substantially our entire leasing portfolio, $26.3 million of lease volume, to Farm Credit Leasing.

On March 5, 2014, the AgriBank Board of Directors approved an amendment to the capital plan which reduces the base required stock investment for all affiliated associations, including GreenStone Farm Credit Services, ACA, from 2.5% to 2.25% effective March 31, 2014.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

GreenStone Farm Credit Services, ACA
(Unaudited)

DESCRIPTION OF BUSINESS

General information regarding the business is discussed in Note 1 of this Annual Report.

The description of significant business developments, if any, is discussed in the "Management's Discussion and Analysis" section of this Annual Report.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding our properties:

Location	Description	Usage
Adrian, MI	Owned by ACA	Branch Office
Allegan, MI	Owned by ACA	Branch Office
Alma, MI	Owned by ACA	Branch Office
Alpena, MI	Owned by ACA	Branch Office
Ann Arbor, MI	Owned by FLCA	Branch Office
Bad Axe, MI	Owned by ACA	Branch Office
Bay City, MI	Owned by ACA	Branch Office
Berrien Springs, MI	Owned by ACA	Branch Office
Cadillac, MI	Owned by FLCA	Branch Office
Caro, MI	Owned by ACA	Branch Office
Charlotte, MI	Leased	Branch Office
Clintonville, WI	Owned by FLCA	Branch Office
Coleman, WI	Owned by ACA	Branch Office
Concord, MI	Owned by FLCA	Branch Office
Corunna, MI	Owned by ACA	Branch Office
DePere, WI[1]	Owned by ACA	Held for Sale
West Rd, East Lansing, MI	Owned by ACA	Corporate
Abbey Rd, East Lansing, MI[2]	Owned by ACA	Corporate
Escanaba, MI	Leased	Branch Office
Grand Rapids, MI	Owned by ACA	Branch Office
Hart, MI	Leased	Branch Office
Hastings, MI	Owned by ACA	Branch Office
Hillsdale, MI	Owned by FLCA	Branch Office
Howell, MI	Leased	Branch Office
Ionia, MI	Owned jointly	Branch Office
Lakeview, MI	Owned by ACA	Branch Office
Lapeer, MI	Owned by ACA	Branch Office
Little Chute, WI	Owned by ACA	Branch Office
Manitowoc, WI	Leased	Branch Office
Mason, MI	Leased	Branch Office
Monroe, MI	Owned by ACA	Branch Office
Mt. Pleasant, MI	Owned by ACA	Branch Office
Saginaw, MI	Owned by ACA	Branch Office
Sandusky, MI	Owned by ACA	Branch Office
Schoolcraft, MI	Owned by ACA	Branch Office
St. Johns, MI	Owned by FLCA	Branch Office
Sturgeon Bay, WI	Leased	Branch Office
Traverse City, MI	Owned by FLCA	Branch Office

[1]Former branch office, currently held for sale.

[2]Former corporate office, currently occupied by a tenant on a long-term lease.

LEGAL PROCEEDINGS

Information regarding legal proceedings is discussed in Note 12 of this Annual Report. We were not subject to any enforcement actions as of December 31, 2013.

DESCRIPTION OF CAPITAL STRUCTURE

Information regarding our capital structure is discussed in Note 8 of this Annual Report.

DESCRIPTION OF LIABILITIES

Information regarding liabilities is discussed in Notes 7, 8, 9, 10, 12, and 14 of this Annual Report.

SELECTED FINANCIAL DATA

The "Consolidated Five-Year Summary of Selected Financial Data" is presented at the beginning of this Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the "Management's Discussion and Analysis" section of this Annual Report.

BOARD OF DIRECTORS

Information regarding directors who served as of December 31, 2013, including business experience in the last five years and any other business interest where a director serves on the Board of Directors or as a senior officer follows:

Scott A. Roggenbuck (Board Chair), Age 51; Huron County, Harbor Beach, Michigan. Board Executive and Compensation Committees. He is a life-long cash crop farmer and is president of Cedar Pond Farms, Inc. (grain and sugar beet operation) and a Certified Crop Consultant. His term of office expires in 2016, and he has served on the board since 2007.

Edward L. Reed (Board Vice Chair), Age 51; Cass County, Marcellus, Michigan. Board Executive and Compensation Committees. He is a hog and grain producer, an electrical engineer, and serves as president on the Board of the Michigan Pork Producers Association. His term of office expires in 2014, and he has served on the board since 2008.

Matthew L. Berge, Age 37; Manitowoc County, Valders, Wisconsin. Board Finance Committee. He has been farming for 15 years. He farms in partnership with his family on their 875 cow dairy, Badger Pride Dairy, with 900 acres of cropland. He also partners in a heifer raising operation in northern Colorado, The Heifer Authority, with a current capacity of 7,000 dairy heifers. His term of office expires in 2015, and he has served on the board since 2013.

Laura A. Braun, Age 54; Clinton County, Ovid, Michigan. Board Legislative/Public Policy Committee, Chair. She has been farming for 27 years. Laura farms in partnership with her husband, Russell, 700 acres cash crops including corn, soybeans, and wheat. They also manage 200 head of beef cattle. She is owner of The Shepardsville Corner Store, a country grocery and convenience store with a bakery and deli featuring local produce in season and home-raised beef. Her term of office expires in 2015, and she has served on the board since 2012.

Eugene B. College, Age 68; Appointed Director, Board Audit Committee, Chair. He retired in 2007 as senior vice president and chief financial officer of Farm Credit Services of America. He has served on the board since 2009 and has been re-appointed to a three-year term that will expire in 2015.

.

Christine M. Crumbaugh, Age 44; Gratiot County, St. Louis, Michigan. Board Finance Committee, Chair. She has been farming for 16 years. Her family operates a 3,000 acre cash crop farm raising sugar beets, corn, soybeans, and wheat. Christine is personally responsible for managing the accounting and finance; human resources and payroll; field recordkeeping; crop marketing; crop insurance; and FSA matters among other things on her family farm. Her term of office expires in 2015, and she has served on the board since 2012.

Thomas R. Durand, Age 59; Sanilac County, Croswell, Michigan. Board Legislative/Public Policy Committee. He has been farming for 38 years. Currently farms 1,100 acres consisting of sugar beets, dry beans, wheat, corn, and soybeans. His term of office expires in 2016, and he has served on the board since 2013.

Darl E. Evers, Age 70; Allegan County, Martin, Michigan. Board Executive and Compensation Committees. He is a life-long farmer. In the past he raised broilers, feeder cattle, and was a dairyman. He currently has Holstein heifers at one farm and is raising turkeys at another. His term of office expires in 2014, and he has served on the board since 1990.

Bruce E. Lewis, Age 48; Hillsdale County, Jonesville, Michigan. Board Executive and Compensation Committees. He has farmed for over 27 years and currently has a 650 cow dairy, raising replacement heifers and steers, and farms 2,200 acres growing corn, alfalfa, soybeans, and wheat. His term of office expires in 2014, and he has served on the board since 2011.

Ronald W. Lucas, Age 57; Alpena County, Posen, Michigan. Board Finance Committee. He has been farming for 33 years. He is a dairy farmer with over 500 head of cattle in the north region. In addition, he is the Township Supervisor for Wellington Township. His term of office expires in 2016, and he has served on the board since 2013.

Dennis C. Muchmore, Age 67; Appointed Director, Board Legislative/Public Policy Committee. He is currently Chief of Staff for Michigan Governor Rick Snyder. He is a founder of Muchmore Harrington Smalley & Associates and formerly the executive vice president of DHR International. He has served on the board since 2002 and has been re-appointed to a three-year term that will expire in 2014.

Gilbert E. Ritter, Age 63; Saginaw County, Saginaw, Michigan. Board Finance Committee. He is a life-long owner of a cash-crop farm. His term of office expires in 2016, and he has served on the board since 1991.

Aaron "Andy" Snider, Age 51; Oceana County, Hart, Michigan. Board Audit Committee. He has been farming for 32 years and currently operates Snider Farms, LLC along with his son, Zack. They produce 170,000 tom turkeys per year; 15,700 weaner pigs; 1,900 acres of corn; 350 acres of soybeans; and 50 acres of rye. They also manage the waste water for a large local fruit processor as well as some custom planting and harvesting. In addition, Andy serves on the Michigan Turkey Producers Cooperative Board of Directors and is on the Land-O-Lakes Cooperative Region IV Executive Council. His term of office expires in 2015, and he has served on the board since 2012.

William J. Stutzman, Age 66; Lenawee County, Blissfield, Michigan. Board Audit Committee, Vice Chair. He is a life-long cash crop farmer. He also serves on the AgriBank Board of Directors, Farm Credit Foundations Board, Farm Credit Foundations Plan Sponsor Committee, and as Vice Chairman of the Farm Credit Foundations Coordinating Committee. He is vice president of Stutzman Farms, Inc. (cash grain farming), president of Farm Resource Management, Inc. (cash grain/grain marketing), and president and chief executive officer of Ogden Communications, Inc. (rural telephone/internet services). His term of office expires in 2014, and he has served on the board since 1987.

Dale L. Wagner, Age 54; Manitowoc County, Manitowoc, Wisconsin. Board Legislative/Public Policy Committee, Vice Chair. He also represents GreenStone on Wisconsin Farm Credit Legislative Committee. He has been farming with his wife for 27 years. Their farm was purchased in 1986 when he was milking 40 cows and owned 57 acres. They currently have 280 cows, own 480 acres and rent another 600 acres. He and his son also own a custom cropping enterprise. His term of office expires in 2015, and he has served on the board since 2012.

Catherine L. Webster, Age 69; Clinton County, Elsie, Michigan. Board Audit Committee. She was a dairy/crop farmer for 42 years. Her term of office expires in 2015, and she has served on the board since 1992.

In 2013, the Board Chairperson and Chairperson of the Audit Committee received annual retainer fees of $26,000 each and the Board Vice Chairperson received $24,000. The remaining Board members received an annual retainer fee of $22,000. All board members also received a $600 computer allowance. The retainer fees are paid quarterly. In 2013, the Board members did not receive compensation for individual Board or regular committee meetings attended. However, there was a $250 stipend paid to the members of the director search committee during 2013. Beginning January 1, 2014, the Board Chairperson and Chairperson of the Audit Committee will receive annual retainer fees of $27,000 each and the Board Vice Chairperson will receive $25,000. The remaining Board members will receive an annual retainer fee of $23,000. All board members will also receive a $600 computer allowance.

Information regarding compensation for each director who served during 2013 follows:

	Number of Days Served		Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2013
	Board Meetings	Other Official Activities			
Matthew L. Berge[1]	3	2	$ —		$11,663
Laura A. Braun	9	9	—		22,600
Eugene B. College	8	14	—		26,600
Christine M. Crumbaugh	9	11	—		22,600
Raymond Diederich[3]	2	12	—		6,100
Thomas R. Durand[1]	5	6	—		11,965
Darl E. Evers	9	11	250	Director Search Committee	22,850
Lynn D. Gould[4]	4	6	—		10,615
Bruce E. Lewis	9	10	250	Director Search Committee	22,850
Ronald W. Lucas[1]	4	8	—		11,965
David J. McConnachie[2]	4	4	—		10,615
Dennis C. Muchmore	8	6	—		22,600
Edward L. Reed	8	10	250	Director Search Committee	24,850
Gilbert E. Ritter	8	7	—		22,600
Scott A. Roggenbuck	9	13	250	Director Search Committee	26,850
Aaron “Andy” Snider	9	16	—		22,600
William J. Stutzman	9	14	—		22,600
Dale L. Wagner	9	12	250	Director Search Committee	22,850
Catherine L. Webster	9	19	—		22,600
Total	135	190	$1,250		$367,973

[1]Newly elected director
[2]Not re-elected
[3]Resigned from the Board
[4]Did not run for re-election

SENIOR OFFICERS

The senior officers include:

David B. Armstrong
Chief Executive Officer

Paul E. Anderson
Senior Vice President – Chief Credit Officer

Travis D. Jones, CPA
Senior Vice President – Chief Financial Officer

Stephen A. Junglas
Senior Vice President – Chief Information Officer and Chief Security Officer

Peter L. Lemmer
Senior Vice President – Chief Legal Counsel

Bethany L. Barker, SPHR
Senior Vice President – Chief Human Resources Officer

Melissa A. Stolicker, CPA
Senior Vice President – Chief Internal Auditor

David B. Armstrong was promoted as Chief Executive Officer (CEO) in January 2009. Paul E. Anderson was promoted as Chief Credit Officer in November 2009, prior to that he served as the Vice President of Credit since 2006. Travis D. Jones was hired as Chief Financial Officer in 2007. Stephen A. Junglas was promoted to Chief Information Officer in 2012, prior to that he served as the Information Services Director since 2006. Peter L. Lemmer was hired as Chief Legal Counsel in 2008. Bethany L. Barker has been in her position since April 1998. Melissa A. Stolicker has been in her position since August 2004.

Other business interests where a senior officer served as a board of director or senior officer include:

David B. Armstrong serves on the executive committee of the Michigan Economic Development Corporation (it promotes economic development within the state of Michigan). He is also a board member and Treasurer for the Michigan Livestock Exhibition (youth livestock sale that generates funding for youth scholarships). In addition, he serves as a board member of the Great Lakes Leadership Academy within the College of Agriculture and Natural Resources at Michigan State University (the academy provides leadership development).

Travis D. Jones serves as a board member for Michigan Finance Authority (offers effective low-cost financing to public and private agencies providing essential services to the citizens of Michigan). He also served as a board member for Michigan Land Bank Fast Track Authority from February 2013 through October 2013 (The Authority promotes economic growth on the local, county, and state levels through acquisition, assembly, and disposal of public property, including tax reverted property).

Stephen A. Junglas serves as a board member for Ingham County Intermediate School District-Computer Science Academy (advisory board to assist with curriculum, marketing plans, and general advice for Ingham County Public School systems).

Peter L. Lemmer is the Commissioner for Michigan Community Service Commission (Michigan state agency that leads the state in volunteer activities to strengthen Michigan communities).

SENIOR OFFICER COMPENSATION

Information related to compensation paid to senior officers is provided in our Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at our office. The results of advisory votes are disclosed in the "Disclosure Information Required by Regulations" section of the Annual Report for the year during which the vote was held. During the year ended December 31, 2013, no advisory vote was held.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is discussed in Note 11 of this Annual Report.

TRAVEL, SUBSISTENCE AND OTHER RELATED EXPENSES

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at 3515 West Road, East Lansing, Michigan 48823, (800) 968-0061, or by e-mail to *Travis.Jones@greenstonefcs.com*, or through our website at *www.greenstonefcs.com*.

The total directors' travel, subsistence, and other related expenses were $142 thousand, $138 thousand, and $92 thousand in 2013, 2012, and 2011, respectively.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2014 or at any time during 2013.

MEMBER PRIVACY

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our association or our members not normally contained in published reports or press releases.

RELATIONSHIP WITH QUALIFIED PUBLIC ACCOUNTANT

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total fees paid during 2013 were $117 thousand. The fees paid were for audit services.

FINANCIAL STATEMENTS

The "Report of Management", "Report on Internal Control Over Financial Reporting", "Report of Audit Committee", "Independent Auditor's Report", "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" are presented prior to this portion of the Annual Report.

CREDIT AND SERVICES TO YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.

EQUAL EMPLOYMENT OPPORTUNITY

We are an equal opportunity employer. It is our policy to provide equal employment opportunity to all persons regardless of race, color, religion, national origin, sex, age, disability, veteran status, genetic information, or any other characteristic protected by law. We comply with all state and local equal employment opportunity regulations. We conduct all personnel decisions and processes relating to our employees and job applicants in an environment free of discrimination and harassment.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

GreenStone Farm Credit Services, ACA
(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of young, beginning, and small farmers and ranchers as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made,
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less of experience at farming, ranching, or producing or harvesting aquatic products as of the date the loan was originally made, and
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than $250,000 in annual gross sales of agricultural or aquatic products at the time the loan was originally made.

YOUNG, BEGINNING, AND SMALL FARMER DEMOGRAPHICS

The local service area of the association includes the entire state of Michigan and 11 counties in the northeastern part of the state of Wisconsin. Results from the 2007 Census of Agriculture became available in February 2009 and were studied to try and determine the numbers of YBS farmers within our territory.

This most recent Agricultural Census represents the best demographic information available in our territory. Results of this study show the following:

Category	Number	Percent
Number of Farmers 34 and Younger	6,544	9.8%
Number of Farmers on Current Farm Less Than 10 Years	15,407	23.2%
Number of Farmers with Less Than $250,000 Farm Sales	60,793	91.4%
Total Number of Farmers	66,509	

There are several differences in the methods by which the demographic and FCA YBS farmer data is presented:

Young farmers are defined by the FCA as 35 years old or less. The United States Department of Agriculture (USDA) demographic stratification breaks at 34 years. Beginning farmers are defined by the FCA as having 10 years or less farming experience. There is no measurement matching this definition in the USDA Census; however, the census does identify farmers on their current farm less than 10 years. That statistic may include beginning farmers, but may also include experienced farmers who have recently changed farmsteads. The FCA small farmer definition matches closely with the USDA delineation. The USDA Census of Agriculture is the best source of demographic information within the association local service area. Even though the statistical results of the census do not match the FCA definitions exactly, they do provide a consistent source of measurement with which to assess association targets and goals.

DESCRIPTION AND STATUS REPORT ON THE YOUNG, BEGINNING, AND SMALL FARMER PROGRAM

The mission statement of the program is as follows:

"GreenStone Farm Credit Services recognizes the importance of young, beginning, and small farmers to the future of agriculture. The association shall serve the unique needs of this market segment through special lending programs that extend credit in a safe and sound manner for both the individual member and the association. GreenStone also believes in the value of education to prepare these producers to successfully compete in a highly competitive global marketplace and shall support educational opportunities for them that balance the cost of delivery with overall stockholder value."

The association implemented a board approved YBS lending program comprised of separate components for YBS farmers. Relaxed underwriting standards and loan terms have been approved for farm operating loans, farm equipment and intermediate-term loans, and for real estate loans. These standards and terms are customized for young farmers and beginning farmers.

Quantitative targets based upon reasonably reliable demographic data have been established by board policy for YBS farmers. Targets have also been established for the YBS program in an aggregate. The targets are as follows:

Quantitative Targets	Measure	At 12/31/2013
1. Young farmers in portfolio equal to or greater than percentage of young farmers in the census	9.8%	20.4%
2. Young farmer loans at least 50% of the young farmers in census	50.0%	88.6%
3. Young farmers at least 10% total outstanding loan volume	10.0%	15.1%
4. Young farmers at least 10% of all new loans (number)	10.0%	16.6%
5. Beginning farmers at least 10% total number of loans outstanding	10.0%	28.2%
6. Beginning farmers at least 10% of total outstanding loan volume	10.0%	18.9%
7. Beginning farmers at least 10% of all new loans (number)	10.0%	20.3%
8. Small farmers at least 40% of total number of loans outstanding	40.0%	50.8%
9. Small farmers at least 20% of total outstanding loan volume	20.0%	23.4%
10. Small farmers at least 40% of all new loans (number)	40.0%	38.3%
11. Maintain at least 50% of total loan numbers to YBS farmers	50.0%	61.0%
12. Maintain at least 30% of the total outstanding loan volume to YBS farmers	30.0%	34.7%

The association has also established certain qualitative goals addressing its efforts and to implement effective outreach programs to attract YBS farmers. These goals are as follows:

Qualitative Goals	Measure	At 12/31/2013
1. Related services will be offered to YBS farmers in the territory.		
Goals: Book sales of at least one association offered related service to at least 5% of YBS farmers in the association portfolio.	5% Young 5% Beginning 5% Small	6.7% 6.2% 14.2%
2. Credit services and financially related services to YBS farmers will be coordinated with governmental and private sources of credit.		
Goals: Coordinate with the USDA Farm Service Agency (FSA) to enhance credit services to young and beginning farmers by obtaining guarantees on at least 7.5% loans (by number) and to take advantage of the FSA young farmer financing program utilizing private second mortgage financing or other alternative financing options whenever possible.	7.5% Young 7.5% Beg.	7.5% 4.3%
3. We will implement effective outreach programs to attract YBS farmers.		
Goals: (a) Participate in or sponsor annually at least 10 YBS farmer leadership and educational programs offered in either Michigan or Wisconsin.	10 Programs	30 Programs sponsored
(b) Offer at least five individual scholarships to deserving YBS farmers (or potential YBS farmers) to Michigan and/or Wisconsin Universities or Colleges.	5 Scholarships	9 Scholarships offered

All of the association's quantitative and qualitative goals were met in 2013 with the following exceptions: at least 40% of all new loans by number for small farmers and the use of FSA guarantees on beginning farmer loans. GreenStone believes the small farmer new loan goal will be met going forward with no significant changes to our programs. In addition, the stability of the agricultural economy and lower interest rates reduced the necessity to obtain FSA guarantees on our beginning farmer loans.

The association employs the following methods and strategies to ensure that credit and services offered to YBS farmers are provided in a safe and sound manner and within risk-bearing capacity:

- Board policy includes a specific section discussing program safety and soundness under its operating parameters;
- Board policy includes a maximum level of risk for YBS adverse volume originated under the program;
- The association internal audit plan requires periodic auditing of the YBS program, which is done annually in conjunction with the internal credit review. In addition, comprehensive reports are written periodically, the most recent report was as of December 31, 2009; and
- The association internal audit and loan review plan will annually include a selection of YBS loans within its normal selection criteria and assess individual loan credit administration, coding, and loan quality.

FUNDS HELD PROGRAM

GreenStone Farm Credit Services, ACA

The Association offers a Funds Held Program ("Funds Held") that provides funds for customers to make advance payments on designated real estate, operating, and intermediate-term loans, pay insurance premiums, taxes, or any other eligible purpose.

PAYMENT APPLICATION: Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due.

ACCOUNT MAXIMUM: The amount in Funds Held may not exceed the unpaid principal balance of the loan.

INTEREST RATE: Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan.

Funds Held on real estate loans, operating loans, and intermediate-term loans are paid at a rate of interest equal to 3% (300 basis points) less than the loan rate.

WITHDRAWALS: Money in Funds Held may be withdrawn for the following items: Customers with real estate loans, operating loans, and intermediate-term loans may use funds for future installments, insurance premiums, or real estate taxes on collateral for the respective loan. Customers may make withdrawals for other approved purposes in lieu of increasing the loan amount for any eligible loan purpose.

ASSOCIATION OPTIONS: In the event of default on any loan, if Funds Held exceeds the maximum limit as established above or if the Association discontinues their Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due and shall return any excess funds to the customer.

UNINSURED ACCOUNT: Funds Held is not a depository account and is not insured. In the event of the Association's liquidation, customers having balances in Funds Held shall be notified according to regulations.

GREENSTONE FARM CREDIT SERVICES

3515 West Road, East Lansing, MI 48823 ▪ 800-444-3276 ▪ www.greenstonefcs.com

Printed in the U.S.A.