



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following commentary reviews the consolidated financial position and consolidated results of operations of GreenStone FARM CREDIT SERVICES, ACA and its subsidiaries. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations. You should also read our 2008 annual report for a description of our organization, operations and significant accounting policies.

AgriBank FCB's financial condition and results of operations materially affect shareholders' investment in GreenStone FARM CREDIT SERVICES, ACA. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report contact us at P.O. Box 22067, Lansing, Michigan 48909, (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, FCB at 375 Jackson Street, St. Paul, Minnesota 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank, FCB's website at www.agribank.com.

**Loan Portfolio**

Loan volume totaled \$4.5 billion at March 31, 2009, a \$23.0 million decrease from December 31, 2008. Our mortgage portfolio increased \$29.5 million or 1.1% from December 31, 2008. The traditional farm segment continues to grow modestly with slightly higher growth being shown in our commercial farm segment. Our short-term commercial loan portfolio decreased \$43.5 million or 2.6% from December 31, 2008. This change is mainly due to the normal seasonality of our traditional farm operating loans and the effect of short-term tax planning loans being repaid in the first quarter. The Capital Markets portfolio segment volume has declined slightly from year-end.

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

As of:	March 31 2009	December 31 2008
Loans:		
Accruing restructured	\$239	\$240
Past due 90 days or more still accruing	6,310	6,973
Nonaccrual	91,091	100,621
Total risk loans	97,640	107,834
Other property owned	7,174	6,739
Total risk assets	\$104,814	\$114,573
Risk loans as a % of total loans	2.1%	2.3%
Total delinquencies as a % of total loans	2.3%	1.7%

Total risk assets decreased during the first quarter 2009 due to normal repayment patterns and collection activity on several capital market ethanol accounts. Performing loans greater than 90 days delinquent declined from \$7.0 million to \$6.3 million through payments being brought current and loan servicing actions

appropriate for the conditions of the loan. Nonaccrual volume of \$15.7 million was transferred into other property owned in April 2009, representing our participation interest in certain ethanol loans. Of the loans transferred, \$6.1 million was sold in April, 2009.

Nonaccrual loans declined from \$100.6 million down to \$91.1 million through servicing actions on high risk loans. The majority of the change was due to repayments and charge-offs resulting from the bankruptcy sale of several capital market ethanol loan participations. Total risk loans as a percentage of total loans remains within our established risk management guidelines. The volume of nonaccrual loans at March 31, 2009 represented 2.0% of our total portfolio. At March 31, 2009, 69.8% of our nonaccrual loans were current.

Credit quality declined during the first quarter of 2009 primarily due to continuing stress in the dairy and ethanol industries. Approximately \$52 million was downgraded in the dairy portfolio, while an additional \$10 million was downgraded in the ethanol portfolio. The fundamentals in both industries were negative during the first three months of the year, with operating costs exceeding revenue. Adversely classified assets increased from 4.5% of the portfolio at December 31, 2008, to 5.8% of the portfolio at March 31, 2009. Adversely classified assets are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Loan and lease credit quality as measured under the Uniform Classification System declined 2.1% during the first three months and finished the quarter at 91.3% Acceptable compared to 93.4% and 96.1% Acceptable at December 31, 2008 and March 31, 2008, respectively. The level of loan quality remains above our strategic objective of at least 90.0%. Portfolio assets criticized as being less than Acceptable were 2.9% Other Assets Especially Mentioned and 5.8% Adversely Classified. Loans adversely classified represent greater than normal risk to the association.

The recent downgrades in loan classification have occurred in the broiler, dairy, and ethanol industry segments. 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 43.3%. This ratio is higher than the end of 2008 when it was 34.2%. This ratio is a good measure of our risk bearing ability. A ratio below 50.0% is generally recognized as acceptable.

In some circumstances, we use various governmental guarantee programs to reduce the risk of loss. At March 31, 2009, \$253.7 million of our loans were, to some level, guaranteed under these governmental programs.

The outlook for 2009 is not as positive as 2008. Narrower margins for cash grain producers resulting from higher input costs and reduced exports of agricultural commodities will result in lower net earnings for our typical customer. The dairy industry is suffering from extreme stress in the near term since the prices they receive are well below their cost of production. The poultry industry was challenged with higher than normal feed costs last summer, but seems to be working through their problems at this time. The bio-fuel industry continues under extreme stress. Fundamentals of the industry are slowly improving, but many operations are out of working capital and seeking new ownership. The quality of the loan and lease portfolio will continue under pressure throughout the year. Improvement could occur, but will depend on improving global economic conditions to support agricultural demand on an overall basis.

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

Comparative allowance coverage of various loan categories follows:

Allowance as a percentage of:	March 31 2009	December 31 2008
Loans	0.6%	0.6%
Nonaccrual loans	28.0%	28.4%
Total risk loans	26.2%	26.5%

The allowance for loan loss balance decreased by \$3.1 million from December 31, 2008 to \$25.5 million at March 31, 2009. During the first quarter of 2009, \$12.3 million of charge-offs were off-set by \$9.2 million of additional provision. Approximately \$11.5 million of the charge-offs during the quarter resulted from three ethanol lending relationships.

#### Results of Operations

Net income for the three months ended March 31, 2009 totaled \$15.3 million compared to \$19.8 million for the same period of 2008. The following table illustrates profitability information:

As of March 31	2009	2008
Return on average assets	1.3%	1.8%
Return on average members' equity	8.3%	11.6%

The following table summarizes the changes in components of net income for the three months ended March 31, 2009 compared to March 31, 2008 (in thousands):

Increase (decrease) in net income	2009 vs 2008
Net interest income	\$1,748
Provision for loan losses	(8,257)
Patronage income	1,573
Financially related services and miscellaneous income, net	2,286
Operating expenses	(2,063)
Provision for income taxes	209
Total change in net income	(\$4,504)

Net interest income was \$30.9 million for the three months ended March 31, 2009. The following table quantifies changes in net interest income for the three months ended March 31, 2009 compared to March 31, 2008 (in thousands):

Change in net interest income	2009 vs 2008
Changes in volume	(\$34)
Changes in rates	2,034
Changes in nonaccrual income and other	(252)
Net change	\$1,748

The change in the provision for loan losses is primarily related to the continued deterioration in the ethanol industry. The increase in patronage income is related to the sale of a participation interest in real estate loans to AgriBank in May 2008. The increase in financially related services and miscellaneous income, net is primarily due to multi-peril crop insurance income and the collection of insurance commissions earlier in 2009 than 2008. The operating expense increases were primarily related to salaries and benefits.

Changes in our return on average assets and return on average members' equity are directly related to the changes in income discussed above, changes in assets

discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Capital section below.

#### Funding, Liquidity and Capital

We borrow from AgriBank, FCB in the form of a line of credit. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Total members' equity increased \$11.9 million from December 31, 2008, to \$739.2 million primarily due to net income earned during the period of \$15.3 million. The increase was partially offset by the patronage distribution accrual of \$3.5 million.

Farm Credit Administration Regulations require us to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7% and a core surplus ratio of at least 3.5%. The ratios as of March 31, 2009, according to Farm Credit Administration Regulations are as follows:

- The permanent capital ratio was 12.7%.
- The total surplus ratio was 12.4%.
- The core surplus ratio was 12.4%.

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

The undersigned certify they have reviewed GreenStone Farm Credit Services, ACA's March 31, 2009 quarterly report and it has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



William Lyndon Uphaus  
Chairperson of the Board  
GreenStone FARM CREDIT SERVICES, ACA



David B. Armstrong  
Chief Executive Officer  
GreenStone FARM CREDIT SERVICES, ACA  
April 30, 2009



Travis D. Jones  
Chief Financial Officer  
GreenStone FARM CREDIT SERVICES, ACA

April 30, 2009

**CONSOLIDATED STATEMENT OF CONDITION**

GreenStone FARM CREDIT SERVICES, ACA

(Dollars in thousands)

(Unaudited)

	March 31 2009	December 31 2008
<b>ASSETS</b>		
Loans	\$4,540,317	\$4,563,309
Allowance for loan losses	25,542	28,624
Net loans	4,514,775	4,534,685
Investment in AgriBank	130,427	129,889
Accrued interest receivable	39,391	43,727
Premises and equipment, net	20,757	21,003
Other property owned	7,174	6,739
Other assets	23,722	24,082
Total assets	\$4,736,246	\$4,760,125
<b>LIABILITIES</b>		
Note payable to AgriBank	\$3,931,860	\$3,941,836
Accrued interest payable	27,424	35,377
Net deferred income tax liability	5,766	6,678
Patronage distribution payable	3,500	13,500
Other liabilities	28,521	35,460
Total liabilities	3,997,071	4,032,851
<b>MEMBERS' EQUITY</b>		
Protected members' equity	7	8
Capital stock and participation certificates	15,371	15,295
Unallocated surplus	723,797	711,971
Total members' equity	739,175	727,274
Total liabilities and members' equity	\$4,736,246	\$4,760,125

**CONSOLIDATED STATEMENT OF INCOME**

GreenStone FARM CREDIT SERVICES, ACA

(Dollars in thousands)

(Unaudited)

	Period ended March 31 2009	2008
<b>Interest income</b>	<b>\$58,339</b>	\$71,021
<b>Interest expense</b>	<b>27,425</b>	41,855
Net interest income	30,914	29,166
<b>Provision for loan losses</b>	<b>9,248</b>	991
Net interest income after provision for loan losses	21,666	28,175
<b>Other income</b>		
Patronage income	4,014	2,441
Financially related services and miscellaneous income, net	5,307	3,021
Total other income	9,321	5,462
<b>Operating expense</b>		
Salaries and employees benefits	8,519	7,097
Other operating	6,762	6,121
Total operating expenses	15,281	13,218
Income before income taxes	15,706	20,419
<b>Provision for income taxes</b>	<b>382</b>	591
Net income	\$15,324	\$19,828

**CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY**

GreenStone FARM CREDIT SERVICES, ACA

(Dollars in thousands)

(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
<b>Balance at December 31, 2007</b>	\$9	\$14,452	\$662,737	\$677,198
Net income	--	--	19,828	19,828
Earnings reserved for patronage distribution	--	--	(3,908)	(3,908)
Capital stock/participation certificates issued	--	490	--	490
Capital stock/participation certificates retired	--	(319)	--	(319)
<b>Balance at March 31, 2008</b>	\$9	\$14,623	\$678,657	\$693,289
<b>Balance at December 31, 2008</b>	\$8	\$15,295	\$711,971	\$727,274
Net income	--	--	15,324	15,324
Earnings reserved for patronage distribution	--	--	(3,498)	(3,498)
Capital stock/participation certificates issued	--	374	--	374
Capital stock/participation certificates retired	(1)	(298)	--	(299)
<b>Balance at March 31, 2009</b>	\$7	\$15,371	\$723,797	\$739,175

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: Organization and Significant Accounting Policies

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

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

The consolidated financial statements present the consolidated financial results of GreenStone FARM CREDIT SERVICES, ACA (the parent) and GreenStone FARM CREDIT SERVICES, FLCA and GreenStone FARM CREDIT SERVICES, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

#### Recent Accounting Developments

Effective January 1, 2009, we adopted FSP No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures, but did not have an impact on our financial condition or results of operations.

### NOTE 2: Allowance for Loan Losses

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

Three months ended March 31	2009	2008
Balance at beginning of year	\$28,624	\$8,415
Provision for loan losses	9,248	991
Loan recoveries	19	176
Loan chargeoffs	(12,349)	(225)
Balance at end of period	\$25,542	\$9,357

The increase in the allowance for loan losses over March 31, 2008 was mainly due to the continued stress in the Capital Markets segment of our portfolio, primarily in the ethanol and poultry industries. The allowance for loan loss balance decreased by \$3.1 million from December 31, 2008 to March 31, 2009. Approximately \$11.5 million of the \$12.3 million of chargeoffs during the quarter resulted from three ethanol lending relationships.

The following table presents information concerning risk loans:

As of March 31	2009	2008
Volume with specific reserves	\$30,745	\$10,403
Volume without specific reserves	66,895	23,881
Total risk loans	\$97,640	\$34,284
Total specific reserves	\$12,457	\$1,464

The following table represents income on risk loans:

For the three months ended March 31	2009	2008
Income on accrual risk loans	\$66	\$115
Income on nonaccrual loans	310	261
Total income on risk loans	\$376	\$376
Average recorded investment	\$102,737	\$34,283

### NOTE 3: Contingencies

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

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

### NOTE 4: Fair Value Measurements

We do not have any assets or liabilities measured at fair value on a recurring basis. Assets measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy levels are summarized below (in thousands).

	Fair Value Measurement Using			Total Fair Value	Total Gains (Losses)
	Level 1	Level 2	Level 3		
<b>Assets:</b>					
Loans *	--	\$4,765	\$13,523	\$18,288	\$(12,457)
Other property owned	--	\$7,174	--	\$7,174	--

\*Represents the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying real estate collateral. The fair value market measurement process uses independent appraisals and other market-based information. As a result, these fair value measurements fall within Level 2 of the hierarchy. In many cases fair value is based on significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

#### Valuation Techniques

As more fully discussed in Note 2 to the 2008 Annual Report to Stockholders, SFAS No. 157 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for our assets. For a more complete description, see Notes 2 and 13 to the 2008 Annual Report.

**Loans:** For certain loans evaluated for impairment under SFAS No. 114, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. These loans are generally classified as Level 2.

**Other Property Owned:** Other property owned is generally classified as Level 2. The fair value is based upon the collateral less estimated costs to sell.