



## GreenStone FARM CREDIT SERVICES, ACA

Quarterly Report  
September 30, 2009

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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

AgriBank, FCB's financial condition and results of operations materially affect shareholders' investment in 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](mailto:Travis.Jones@greenstonefcs.com), or through our website at [www.greenstonefcs.com](http://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](mailto:AGRIBANKMN@agribank.com). The combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank, FCB's website at [www.agribank.com](http://www.agribank.com).

#### Loan Portfolio

Owned loan volume totaled \$4.5 billion at September 30, 2009, an \$81.7 million decrease from December 31, 2008.

In July 2009, we sold \$199.6 million of a participation interest in real estate loans to AgriBank, FCB. AgriBank, FCB has established a separate patronage pool for these assets and intends to pay the net earnings back as patronage to us. We anticipate our net income after pool patronage will not be affected. As required by the transaction between AgriBank, FCB and GreenStone, we purchased additional common stock of AgriBank, FCB equal to 8% of the pool assets. The sale of the assets was designed to improve our regulatory capital ratios. We maintain servicing rights on the real estate loans sold to AgriBank, FCB.

Total owned and managed loan volume, including servicing volume on the real estate loans sold to AgriBank, FCB was \$5.1 billion at September 30, 2009, an \$81.8 million increase from December 31, 2008. Our mortgage portfolio increased \$108.8 million, or 3.3% 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 \$26.3 million, or 1.6% from December 31, 2008. This change is primarily due to the Capital Markets portfolio segment volume having declined from year-end.

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

As of:	September 30 2009	December 31 2008
Loans:		
Accruing restructured	\$234	\$240
Past due 90 days or more still accruing	9,106	6,973
Nonaccrual	206,553	100,621
Total risk loans	215,893	107,834
Other property owned	12,194	6,739
Total risk assets	\$228,087	\$114,573
Risk loans as a % of total loans	4.8%	2.3%
Total delinquencies as a % of total loans	3.7%	1.7%

Total risk assets have increased during 2009 primarily due to a number of large loans moving to nonaccrual status. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection. Other property owned

increased from \$6.7 million to \$12.2 million primarily due to the transfer of two ethanol plants that have yet to be sold.

Nonaccrual loans increased from \$100.6 million as of December 31, 2008 to \$206.6 million as of September 30, 2009. This was primarily due to a number of large dairy, swine and timber manufacturing loans moving to nonaccrual status during the second and third quarters. As of September 30, 2009, approximately 35% of the nonaccrual loan portfolio was comprised of dairy loans, 21% of timber loans, 11% of poultry loans, 7% of swine loans, and 15% was comprised of ethanol lending relationships. The volume of nonaccrual loans at September 30, 2009 represented 4.6% of our total portfolio. At September 30, 2009, 40.5% of our nonaccrual loans were current.

Credit quality declined during the third quarter of 2009 primarily due to continuing stress in the dairy and swine industries. Approximately \$40.2 million was downgraded in the dairy portfolio, \$38.4 million in the swine industry while an additional \$4.2 million was downgraded in the ethanol portfolio. The fundamentals in these industries were negative during the year, with operating costs exceeding revenue. Adversely classified assets increased from 4.5% of the portfolio at December 31, 2008, to 8.5% of the portfolio at September 30, 2009. Adversely classified assets are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In some circumstances, we use various governmental guarantee programs to reduce the risk of loss. At September 30, 2009, \$272.2 million of our loans were, to some level, guaranteed under these governmental programs.

Loan and lease credit quality as measured under the Uniform Classification System declined 1.3% and finished the quarter at 89.0% Acceptable after beginning the quarter at 90.3% Acceptable. At September 30, 2008, the percentage classified Acceptable was 95.6%. The level of loan quality has fallen 1.0% below our strategic objective of at least 90.0%. Portfolio assets criticized as being less than Acceptable were 2.5% Other Assets Especially Mentioned and 8.5% Adversely Classified. Loans adversely classified represent greater than normal risk to the association. The recent downgrades in loan classification have occurred in the dairy and swine industry segments. The resulting level of credit quality, when combined with our earnings and addition to capital surplus, results in an adverse loan to risk funds ratio of 60.0%. This ratio has deteriorated from the end of 2008 when it was 34.2%. This ratio is a good measure of the association's risk bearing ability. While credit quality has declined, management believes the level of adverse assets is manageable.

The outlook for the balance of 2009 and into the first quarter of 2010 is for continuing stress in selected industries. Narrower margins for cash grain producers resulting from reduced commodity prices will result in lower net earnings for our typical customer. The dairy industry continues to suffer from extreme stress in the near term since the prices they receive, while improving in recent months, are below their cost of production. The poultry industry was challenged with higher than normal feed costs last summer, but seems to be working through its problems at this time. The swine industry continues to suffer from low slaughter prices which have been moderated somewhat by lower feed costs. The bio-fuels industry continues to be stressed, but is showing signs of stabilizing with current corn and oil prices. The quality of the loan and lease portfolio will continue to be under pressure.

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:

	September 30 2009	December 31 2008
Allowance as a percentage of:		
Loans	0.9%	0.6%
Nonaccrual loans	19.1%	28.4%
Total risk loans	18.3%	26.5%

The allowance for loan losses increased by \$7.2 million from June 30, 2009 to September 30, 2009. During the third quarter of 2009, \$7.6 million of additional provision was recorded, which was off-set by \$392 thousand of net charge-offs. This was primarily due to an increase in several large dairy and swine customers moving to nonaccrual status. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2009.

### Results of Operations

Net income for the nine months ended September 30, 2009 totaled \$45.8 million compared to \$58.4 million for the same period last year.

The following table illustrates profitability information:

As of September 30	2009	2008
Return on average assets	1.3%	1.7%
Return on average members' equity	8.1%	11.1%

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

Increase (decrease) in net income	2009 vs 2008
Net interest income	\$7,645
Provision for loan losses	(18,900)
Patronage income	2,052
Financially related services and miscellaneous income, net	(524)
Operating expenses	(3,062)
Provision for income taxes	151
<b>Total change in net income</b>	<b>\$(12,638)</b>

Net interest income was \$93.2 million for the nine months ended September 30, 2009. The following table quantifies changes in net interest income for the nine months ended September 30, 2009 compared to September 30, 2008 (in thousands):

Change in net interest income	2009 vs 2008
Changes in volume	\$484
Changes in rates	8,609
Changes in nonaccrual income and other	(1,448)
<b>Net change</b>	<b>\$7,645</b>

The change in the provision for loan losses is related to provision expense of \$23.9 million that was recorded for the first nine months of 2009. This was primarily due to specific reserves necessary for loan relationships in the ethanol, dairy and swine industries. The increase in patronage income is related to patronage received on the larger balances of participations sold to AgriBank. Financially related services and miscellaneous income, net decreased due to losses on acquired property. The losses were partially offset by increased fee income. The increase in operating expense was primarily related to \$1.9 million of additional premiums paid to the Farm Credit System Insurance Corporation, as well as higher 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 that follows.

### 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 \$36.0 million from December 31, 2008. The increase was due to net income for the period which was partially offset by patronage distribution accruals.

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 September 30, 2009, according to Farm Credit Administration Regulations, are as follows:

- The permanent capital ratio was 13.0%.
- The total surplus ratio was 12.7%.
- The core surplus ratio was 12.7%.

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

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



William Lyndon Uphaus  
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

November 4, 2009

**CONSOLIDATED STATEMENT OF CONDITION**

GreenStone FARM CREDIT SERVICES, ACA  
(Dollars in thousands)  
(Unaudited)

	September 30	December 31
	2009	2008
<b>ASSETS</b>		
Loans	\$4,481,611	\$4,563,309
Allowance for loan losses	39,437	28,624
Net loans	4,442,174	4,534,685
Investment in AgriBank, FCB	142,529	129,889
Accrued interest receivable	46,323	43,727
Premises and equipment, net	21,611	21,003
Other property owned	12,194	6,739
Other assets	24,132	24,082
Total assets	\$4,688,963	\$4,760,125
<b>LIABILITIES</b>		
Note payable to AgriBank, FCB	\$3,849,597	\$3,941,836
Accrued interest payable	24,408	35,377
Net deferred income tax liability	4,250	6,678
Patronage distribution payable	10,502	13,500
Other liabilities	36,967	35,460
Total liabilities	3,925,724	4,032,851
<b>MEMBERS' EQUITY</b>		
Protected members' equity	6	8
Capital stock and participation certificates	15,969	15,295
Unallocated surplus	747,264	711,971
Total members' equity	763,239	727,274
Total liabilities and members' equity	\$4,688,963	\$4,760,125

**CONSOLIDATED STATEMENT OF INCOME**

GreenStone FARM CREDIT SERVICES, ACA  
(Dollars in thousands)  
(Unaudited)

Period ended September 30	Three Months		Nine Months	
	2009	2008	2009	2008
<b>Interest income</b>	<b>\$55,948</b>	\$62,582	<b>\$171,505</b>	\$198,735
<b>Interest expense</b>	<b>24,409</b>	34,863	<b>78,347</b>	113,222
Net interest income	31,539	27,719	93,158	85,513
<b>Provision for loan losses</b>	<b>7,594</b>	2,118	<b>23,913</b>	5,013
Net interest income after provision for loan losses	23,945	25,601	69,245	80,500
<b>Other income</b>				
Patronage income	4,374	4,215	12,100	10,048
Financially related services and miscellaneous income, net	1,696	4,136	9,864	10,388
Total other income	6,070	8,351	21,964	20,436
<b>Operating expense</b>				
Salaries and employee benefits	7,555	7,719	24,414	22,844
Other operating	6,614	6,097	19,712	18,220
Total operating expenses	14,169	13,816	44,126	41,064
Income before income taxes	15,846	20,136	47,083	59,872
<b>Provision for income taxes</b>	<b>459</b>	1,115	<b>1,292</b>	1,443
Net income	\$15,387	\$19,021	\$45,791	\$58,429

**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	--	--	58,429	58,429
Earnings reserved for patronage distribution	--	--	(11,783)	(11,783)
Capital stock/participation certificates issued	--	1,600	--	1,600
Capital stock/participation certificates retired	(1)	(960)	--	(961)
<b>Balance at September 30, 2008</b>	\$8	\$15,092	\$709,383	\$724,483
<b>Balance at December 31, 2008</b>	\$8	\$15,295	\$711,971	\$727,274
Net income	--	--	45,791	45,791
Earnings reserved for patronage distribution	--	--	(10,498)	(10,498)
Capital stock/participation certificates issued	--	1,520	--	1,520
Capital stock/participation certificates retired	(2)	(846)	--	(848)
<b>Balance at September 30, 2009</b>	\$6	\$15,969	\$747,264	\$763,239

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: Organization and Significant Accounting Policies

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

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

The consolidated financial statements present the consolidated financial results of 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

In May 2009, the FASB issued guidance, "Subsequent Events," which set forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Under this Standard, subsequent events that arise from conditions that existed at the date of the balance sheet are recognized in the financial statements, while subsequent events that arise from conditions that did not exist as of the balance sheet date are not recognized in the financial statements. This Standard, which includes a required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009.

### NOTE 2: Loans

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

As of September 30	2009	2008
Volume with specific reserves	\$75,386	\$6,131
Volume without specific reserves	140,507	26,793
Total risk loans	\$215,893	\$32,924
Total specific reserves	\$24,787	\$1,501
For the nine months ended September 30	2009	2008
Income on accrual risk loans	\$552	\$348
Income on nonaccrual loans	827	1,070
Total income on risk loans	\$1,379	\$1,418
Average recorded investment	\$142,850	\$34,124

### NOTE 3: Allowance for Loan Losses

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

Nine months ended September 30	2009	2008
Balance at beginning of year	\$28,624	\$8,415
Provision for loan losses	23,913	5,013
Loan recoveries	362	301
Loan chargeoffs	(13,462)	(2,392)
Balance at end of period	\$39,437	\$11,337

The increase in the allowance for loan losses was primarily due to specific reserves necessary for loan relationships in the ethanol, dairy and swine industries.

### NOTE 4: Contingencies

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

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

### NOTE 5: Fair Value Measurements

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

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

	Fair Value Measurement Using			Total Fair Value	Total Gains (Losses)
	Level 1	Level 2	Level 3		
Assets:					
Loans (1)	--	\$51,380	\$1,705	\$53,085	\$(8,757)
Other property owned (2)	--	\$9,845	\$4,313	\$14,158	\$(783)

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

(2) Represents the fair value and related losses of foreclosed assets that were measured at fair value subsequent to their initial classification as other property owned.

### NOTE 6: Subsequent Events

We have evaluated subsequent events through November 4, 2009, which is the date the financial statements were issued.