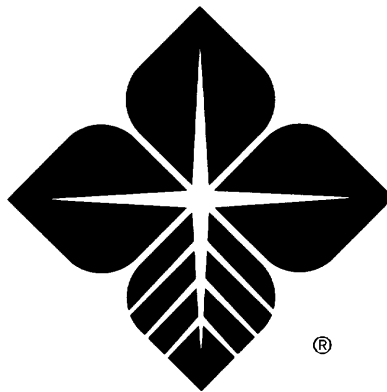


**AG NEW MEXICO, FARM CREDIT SERVICES,
ACA**

**2009
Quarterly Report
First Quarter**



For the Quarter Ended March 31, 2009

REPORT OF MANAGEMENT

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



Bill Yoakum, Chief Executive Officer

May 5, 2009



D. L. Kelley, Chairman, Board of Directors

May 5, 2009



Bill Jones, Chief Financial Officer

May 5, 2009

AG NEW MEXICO, FARM CREDIT SERVICES, ACA MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the Association, for the quarter and three months ended March 31, 2009. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2008 Annual Report of the Association.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events:

Subsequent to year-end for fiscal year 2008, the association had identified one loan that had deteriorated substantially and resulted in a charge-off and specific allowance totaling \$608 thousand. The financial and income statements for 2008 were adjusted to reflect this loss. The association's management has determined that an additional charge-off of approximately \$1.5 million will probably need to be booked for this particular loan during the second quarter of the current year. This anticipated event will have an adverse impact on net income and financial ratios for the second quarter as well as for the current year. Subsequent to the end of the quarter, a lawsuit was filed naming the association as a party to the legal action. The Association's attorneys consider the action to be frivolous and lacking substance.

Loan Portfolio:

Total loans outstanding at March 31, 2009, including nonaccrual loans and sales contracts, were \$276,932,275 compared to \$287,074,630 at December 31, 2008, reflecting a decrease of 3.5 percent. Nonaccrual loans as a percentage of total loans outstanding were 3.8 percent at March 31, 2009, compared to 2.9 percent at December 31, 2008.

The Association recorded \$0 in recoveries and \$436,934 in charge-offs for the quarter ending March 31, 2009, and \$9,311 in recoveries and \$0 in charge-offs for the same period in 2008. The Association's allowance for loan losses was 0.2 percent and 0.1 percent of total loans outstanding as of March 31, 2009, and December 31, 2008, respectively.

A more conservative approach by the Association in managing risk exposure in an uncertain economic climate has resulted in loans being paid off without the loan being renewed due to more conservative application of underwriting standards to significantly leveraged borrowers has resulted in a decrease in loan volume. A charge-off of a portion of a loan to a single borrower for the quarter ended March 31, 2009 has resulted in a decrease in over-all loan volume.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	<u>March 31, 2009</u>		<u>December 31, 2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Nonaccrual	\$ 10,472,977	82.6%	\$ 8,195,789	78.8%
90 days past due and still accruing interest	-	0.0%	-	0.0%
Formally restructured	-	0.0%	-	0.0%
Other property owned, net	2,203,010	17.4%	2,203,010	21.2%
Total	<u>\$ 12,675,987</u>	<u>100.0%</u>	<u>\$ 10,398,799</u>	<u>100.0%</u>

Results of Operations:

The Association had net income of \$100,589 for the three months ended March 31, 2009, as compared to net income of \$1,023,135 for the same period in 2008 reflecting a decrease of 90.1 percent. Net interest income was \$1,792,211 for the three months ended March 31, 2009 compared to \$1,801,700 for the same period in 2008. Interest income for the first three months of 2009 decreased by \$1,016,986 or 22.3 percent from the same period of 2008, primarily due to a decrease in average loan volume and an increase in nonaccrual loans with corresponding reversal of interest income. Interest expense for the first three months of 2009 decreased by

\$1,007,497, or 36.5 percent, from the same period of 2008 due to a decrease in interest rates offset by a decrease in average debt volume. Average loan volume for the first quarter of 2009 was \$278,377,235, compared to \$259,115,461 in the first quarter of 2008. The average spread on the loan portfolio for the first quarter of 2009 was 2.38 percent, compared to 2.37 percent in the first quarter of 2008.

The Association's return on average assets for the three months ended March 31, 2009, was 0.31 and 1.51 percent for the same period in 2008. The Association's return on average equity for the three months ended March 31, 2009, was 2.52 and 12.58 percent for the same period in 2008.

The significant components of net income which have changed significantly compared to the same period of 2008 is interest income from loans which decreased due to a reduction in outstanding loans, a decrease in interest expense due to a reduced debt load, the provision for loan losses increased as well as the provision for income taxes as explained in note four to the financial statements.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Bank, which obtains its funds through the issuance of System wide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	March 31, 2009	December 31, 2008
Note payable to the Bank	\$ 254,275,804	\$ 262,421,675
Accrued interest on note payable	576,471	781,794
Total	\$ 254,852,275	\$ 263,203,469

The decrease in the note payable to the bank and related accrued interest payable since December 31, 2008 is due to a decrease in loan volume. The association's indebtedness to the bank is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by a financing agreement. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, amounted to \$21,888,770 for March 31, 2009 compared to \$23,838,447 for December 31, 2008. The association's liquidity margin as of March 31, 2009 was 8.08% which is in compliance with the required minimum of 2% as specified by the financing agreement.

Capital Resources:

The Association's capital position increased by \$972,454 at March 31, 2009, compared to December 31, 2008. The Association's debt as a percentage of members' equity was 7.18:1 as of March 31, 2009, compared to 7.23:1 as of December 31, 2008.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of seven percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at March 31, 2009, was 11.2 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at March 31, 2009, were 11.0 and 11.0 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Relationship with the Farm Credit Bank of Texas:

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the December 31, 2008 Annual Report of Ag New Mexico, Farm Credit Services, ACA more fully describe the Association's relationship with the Bank.

The Tenth Farm Credit District's (District) annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9260. Copies of the District's quarterly and annual stockholder reports also can be requested by e-mail at fcb@farmcreditbank.com. The District makes its annual and quarterly stockholder reports available on its web site at www.farmcreditbank.com.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Ag New Mexico, Farm Credit Services, ACA, P.O. Box 1328, Clovis, New Mexico 88101 or calling 575-762-3828. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing lucille.conley@farmcreditbank.com.

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2009 (unaudited)	December 31, 2008
<u>ASSETS</u>		
Cash	\$ 110,370	\$ 110,979
Loans	276,932,275	287,074,630
Less: allowance for loan losses	<u>706,548</u>	<u>1,015,226</u>
Net loans	276,225,727	286,059,404
Accrued interest receivable	5,427,851	5,403,344
Investment in and receivable from the Bank:		
Capital stock	4,957,750	4,957,750
Other	293,475	757,615
Deferred taxes, net	429,447	816,143
Other property owned, net	2,203,010	2,203,010
Premises and equipment	2,009,232	1,788,260
Other assets	<u>639,829</u>	<u>118,230</u>
Total assets	<u><u>\$ 292,296,691</u></u>	<u><u>\$ 302,214,735</u></u>
<u>LIABILITIES</u>		
Note payable to the Bank	\$ 254,275,804	\$ 262,421,675
Advance conditional payments	590,068	814,509
Accrued interest payable	576,271	781,614
Drafts outstanding	177,633	381,174
Patronage distributions payable	191	1,071,394
Other liabilities	<u>1,038,937</u>	<u>1,194,314</u>
Total liabilities	<u><u>256,658,904</u></u>	<u><u>266,664,680</u></u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	386,315	392,080
Unallocated retained earnings	35,214,548	35,113,959
Accumulated other comprehensive income (loss)	<u>36,924</u>	<u>44,016</u>
Total members' equity	<u>35,637,787</u>	<u>35,550,055</u>
Total liabilities and members' equity	<u><u>\$ 292,296,691</u></u>	<u><u>\$ 302,214,735</u></u>

The accompanying notes are an integral part of these consolidated financial statements
 Ag New Mexico FCS, ACA – Quarterly Report for the Quarter Ended March 31, 2009

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

	Quarter Ended	
	March 31,	
	2009	2008
<u>INTEREST INCOME</u>		
Loans	\$ 3,546,912	\$ 4,563,898
Other	-	-
Total interest income	<u>3,546,912</u>	<u>4,563,898</u>
<u>INTEREST EXPENSE</u>		
Note payable to the Bank	1,754,699	2,758,670
Advance conditional payments	2	3,528
Total interest expense	<u>1,754,701</u>	<u>2,762,198</u>
Net interest income	1,792,211	1,801,700
<u>PROVISION FOR LOSSES</u>		
Provision (negative provision) for loan losses	128,257	-
Provision for acquired property losses	-	-
Net interest income after provision for loan losses	<u>1,663,954</u>	<u>1,801,700</u>
<u>NONINTEREST INCOME</u>		
Income from the bank:		
Patronage income	18,816	226,184
Loan fees	33,641	130,332
Financially related services income	30,964	14,925
Other noninterest income	13,977	25,687
Total noninterest income	<u>97,398</u>	<u>397,128</u>
<u>NONINTEREST EXPENSES</u>		
Salaries and employee benefits	715,902	556,625
Directors' expense	79,493	98,593
Purchased services	27,325	35,347
Travel	45,885	60,023
Occupancy and equipment	122,610	117,062
Communications	9,733	9,315
Advertising	14,852	18,252
Public and member relations	11,896	19,908
Supervisory and exam expense	24,408	25,221
Insurance Fund premiums	124,305	96,400
Other noninterest expense	94,779	98,276
Total noninterest expenses	<u>1,271,188</u>	<u>1,135,022</u>
Income before income taxes	<u>490,164</u>	<u>1,063,806</u>
Provision for income taxes	389,575	40,671
Net income	<u>\$ 100,589</u>	<u>\$ 1,023,135</u>

The accompanying notes are an integral part of these consolidated financial statements
 Ag New Mexico FCS, ACA – Quarterly Report for the Quarter Ended March 31, 2009

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2007	\$ 387,395	\$ -	\$ 31,994,220	\$ 116,609	\$ 32,498,224
Adjustment to beginning balance due to FAS No. 158 accounting change	-	-	(1,270)	-	(1,270)
Balance at January 1, 2008	387,395	-	31,992,950	116,609	32,496,954
Comprehensive income					
Net income	-	-	1,023,134	-	1,023,134
Amortization of costs included in periodic retirement benefit costs	-	-	-	(11,470)	(11,470)
Total comprehensive income	-	-	1,023,134	(11,470)	1,011,664
Capital stock/participation certificates issued	18,360	-	-	-	18,360
Capital stock/participation certificates and allocated retained earnings retired	(16,225)	-	-	-	(16,225)
Balance at March 31, 2008	<u>\$ 389,530</u>	<u>\$ -</u>	<u>\$ 33,016,084</u>	<u>\$ 105,139</u>	<u>\$ 33,510,753</u>
Balance at December 31, 2008	\$ 392,080	\$ -	\$ 36,185,156	\$ 44,016	\$ 36,621,252
Comprehensive income					
Net income	-	-	100,588	-	100,588
Amortization of costs included in periodic retirement benefit costs	-	-	-	(7,092)	(7,092)
Total comprehensive income	-	-	100,588	(7,092)	93,496
Capital stock/participation certificates issued	21,205	-	-	-	21,205
Capital stock/participation certificates and allocated retained earnings retired	(26,970)	-	-	-	(26,970)
Patronage refunds:					
Cash	-	-	(1,071,196)	-	(1,071,196)
Capital stock/participation certificates and allocated retained earnings	-	-	-	-	-
Balance at March 31, 2009	<u>\$ 386,315</u>	<u>\$ -</u>	<u>\$ 35,214,548</u>	<u>\$ 36,924</u>	<u>\$ 35,637,787</u>

The accompanying notes are an integral part of these consolidated financial statements
Ag New Mexico FCS, ACA – Quarterly Report for the Quarter Ended March 31, 2009

AG NEW MEXICO, FARM CREDIT SERVICES, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves all counties of New Mexico, with the exception of San Juan County and that portion of Rio Arriba County lying west of the Continental Divide. The Association is authorized to operate in Cochran County, Texas. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

Effective January 1, 2009, the Association 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.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to generally accepted accounting principles, except for the inclusion of a statement of cash flows. Generally accepted accounting principles require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter and the three months ended March 31, 2009, are not necessarily indicative of the results to be expected for the year ended December 31, 2009. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — ALLOWANCE FOR LOAN LOSSES:

The allowance for loan losses is maintained at a level considered adequate by management to provide for estimated losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition and prior loan loss experience. An analysis of the allowance for loan losses follows:

	March 31, 2009	March 31, 2008
Balance at beginning of quarter	\$ 1,015,226	\$ 258,491
Provision for loan losses	128,257	-
Charge-offs	(436,934)	-
Recoveries	-	9,311
Balance at end of quarter	\$ 706,549	\$ 267,802

The following table presents information concerning impaired loans:

	March 31, 2009	March 31, 2008
Impaired loans with related allowance	\$ 2,693,322	\$ -
Impaired loans with no related allowance	7,779,655	2,243,848
Total impaired loans	\$ 10,472,977	\$ 2,243,848
Allowance on impaired loans	\$ 224,349	\$ -
Average impaired loans	\$ 9,790,801	\$ 974,422
Interest income on impaired loans for the quarter	\$ 43,414	\$ 21,829

NOTE 3 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

NOTE 4 — INCOME TAXES:

Ag New Mexico, Farm Credit Services, ACA and its subsidiary are subject to federal and certain other income taxes. The Associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the Associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During 2009, the Association did not participate in a patronage program. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. For the three months ended March 31, 2009, and 2008 net income for tax purposes increased substantially from the same period for the previous year due to temporary differences related to allowances for loan losses, net operating loss and pension enhancements. The total provision for income taxes for the first quarter of 2009 and 2008 is as follows:

	2009	2008
Current	\$	\$
Deferred	389,575	8,190
Total provision for income taxes	389,575	8,190

The subsidiary, Ag New Mexico FCS, ACA, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

NOTE 5 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for the three months ended March 31, :

	Other Benefits	
	2009	2008
Service cost	\$ 7,127	\$ 6,316
Interest cost	10,039	8,834
Expected return on plan assets	-	-
Amortization of prior service costs	(16,665)	(16,754)
Amortizations of net (gain) loss	6,695	63
Net periodic benefit cost	\$ 7,196	\$ (1,541)

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158), which required the recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. The balance sheet recognition provisions of SFAS 158 were adopted at December 31, 2007. SFAS 158 also requires that employers measure the benefit obligation and plan assets as of the fiscal year end for fiscal years ending after December 15, 2008. In fiscal 2007 and earlier, we used a September 30 measurement date for pension and other postretirement benefit plans. The Standard provides two

approaches for an employer to transition to a fiscal year end measurement date. We have applied the second approach, which allows for the use of the measurements determined for the prior year end.

Under this alternative, postretirement benefit income measured for the three-month period October 1, 2007 to December 31, 2007 (determined using the September 2007 measurement date) was recorded as an adjustment to beginning 2008 retained earnings. As result, the Association increased/decreased retained earnings \$1,541 net of taxes of \$481 and increased/decreased the postretirement benefit asset/liability by \$1,541 and \$481.

The Association previously disclosed in its financial statements for the year ended December 31, 2008, that it expected to contribute \$14,105 to its defined pension plan in 2009. As of March 31, 2009, \$3,139 of contributions has been made. The Association presently anticipates contributing an additional \$10,966 to fund its defined pension plan in 2009 for a total \$14,105.