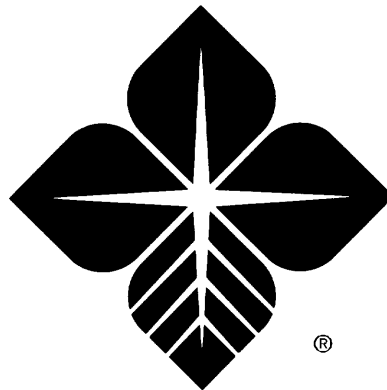


**AG NEW MEXICO, FARM CREDIT SERVICES,
ACA**

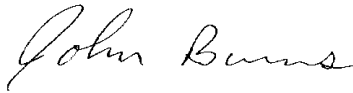
**2011
Quarterly Report
First Quarter**



For the Quarter Ended March 31, 2011

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 his or her knowledge and belief.



John Burns, Chief Executive Officer

May 9, 2011



Ronnie Herral, Chairman, Board of Directors

May 9, 2011



Bill Jones, Chief Financial Officer

May 9, 2011

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, 2011. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2010 Annual Report to Stockholders.

The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated there under.

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:

The association has operated on a limited waiver of some of the covenants of the General Financing Agreement (GFA) with the funding bank in past quarters. The GFA requires a minimum liquidity level of 5 percent, an adverse assets ratio to risk funds of 100 percent or less, permanent capital of 8 percent and a minimum of 1 percent return on assets on a twelve month rolling average. The association met all covenants of the GFA as of March 31, 2011.

The association has entered into a supervisory agreement with the Farm Credit Administration on January 20, 2010 setting forth requirements to be met by the association. The association remains under the supervisory agreement and is in substantial compliance of the requirements of the agreement. It is management's intent to maintain compliance with all stipulations set forth in the supervisory agreement.

Loan Portfolio:

Total loans outstanding at March 31, 2011, including nonaccrual loans and sales contracts, were \$142,669,938 compared to \$150,517,886 at December 31, 2010, reflecting a decrease of 5.2 percent. Nonaccrual loans as a percentage of total loans outstanding were 9.0 percent at March 31, 2011, compared to 9.5 percent at December 31, 2010.

The association recorded \$12,351 in recoveries and \$0 in charge-offs for the quarter ending March 31, 2011, and \$684 in recoveries and \$1,651,097 in charge-offs for the period ending December 31, 2010. The association's allowance for loan losses was 1.8 percent and 1.7 percent of total loans outstanding as of March 31, 2011, and December 31, 2010, respectively.

The need to increase loan volume is recognized by management and efforts are focused toward increasing accrual loan volume by 5 percent in 2011 as stated as a goal in the association's strategic business plan for 2011. Nonaccrual loan volume has declined 10 percent for the first quarter of 2011, but management recognizes that nonaccrual loans as a percentage of total loans of 9 percent remains excessive. The stated goal in the association's strategic business plan is to reduce nonaccrual loan volume to 5.7 percent of total loan volume by the end of 2011.

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, 2011</u>		<u>December 31, 2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Nonaccrual	\$ 12,910,259	100.0%	\$ 14,330,091	99.7%
90 days past due and still accruing interest	-	0.0%	31,927	0.2%
Formally restructured	-	0.0%	-	0.0%
Other property owned, net	7,000	0.1%	7,000	0.1%
Total	<u>\$ 12,917,259</u>	<u>100.1%</u>	<u>\$ 14,369,018</u>	<u>100.0%</u>

Investments:

During the first quarter of 2010, the association exchanged \$27,571,701 of mortgage loans that previously were covered under a Long-Term Standby Commitment to Purchase Agreement with Federal Agricultural Mortgage Corporation (Farmer Mac) for a Farmer Mac guaranteed agricultural mortgage-backed security. No gain or loss was recognized in the financial statements upon completion of the exchange transaction. The association continues to service the loans included in this transaction. These investments in guaranteed securities are included in this report's Consolidated Balance Sheet as investments – held-to-maturity.

Results of Operations:

The association had net income of \$331,315 for the three months ended March 31, 2011, as compared to a net loss of \$-6,150,278 for the same period in 2010 reflecting an increase of 105.4 percent. Net interest income was \$1,195,052 for the three months ended March 31, 2011, compared to \$1,247,615 for the same period in 2010. Interest income for the first three months of 2011 decreased by \$681,873, or 25.9 percent, from the same period of 2010, primarily due to a decrease in average loan volume. Interest expense for the first three months of 2011 decreased by \$629,310, or 45.4 percent, from the same period of 2010 due to a decrease in interest rates coupled with a decrease in average debt volume. Average loan volume for the first quarter of 2011 was \$146,823,698, compared to \$241,614,408 in the first quarter of 2010. The average spread on the loan portfolio for the first quarter of 2011 was 2.66 percent, compared to 1.86 percent in the first quarter of 2010. The average spread on investments in Farmer Mac mortgage backed securities in addition to the loan portfolio for the first quarter of 2011 was 2.57 percent.

The association's return on average assets for the three months ended March 31, 2011, was 0.65 percent compared to -10.76 percent for the same period in 2010. The association's return on average equity for the three months ended March 31, 2011, was 4.33 percent, compared to -91.15 percent for the same period in 2010.

The association sold \$43.2 million of loans including \$29.6 million of nonaccrual to the bank in March, 2010. This transaction resulted in a significant decrease in loan volume but appreciably improved asset quality of the loan portfolio. The cyclical nature of operational loans which are normally paid down over the past two quarters also contributed to the decline in loan volume. Those operational loans will be renewed or increased over the next quarter. The decrease in loan volume has diminished the capacity for interest income and the association has focused effort toward increasing loan volume as mentioned in the section captioned 'Loan Portfolio.

Liquidity and Funding Sources:

The association secures the majority of its lendable funds from the Farm Credit Bank of Texas (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, 2011	December 31, 2010
Note payable to the bank	\$ 144,925,497	\$ 156,152,850
Accrued interest on note payable	281,954	270,585
Total	\$ 145,207,451	\$ 156,423,435

The association's liquidity margin as of March 31, 2011 was 13.41% which is in compliance with the required minimum of 5% as specified by the general financing agreement.

Capital Resources:

The association's capital position increased by \$320,020 at March 31, 2011, compared to December 31, 2010. The association's debt as a percentage of members' equity was 5.39:1 as of March 31, 2011, compared to 5.87:1 as of December 31, 2010.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The association's permanent capital ratio at March 31, 2011, was 13.6 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, 2011, were 13.4 and 13.4 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In January 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, “Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings.” This guidance temporarily delays the effective date of the disclosures about troubled debt restructurings required by the guidance previously issued on “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.” The effective date of the new disclosures about troubled debt restructurings and guidance for determining what constitutes a troubled debt restructuring will be coordinated and is anticipated to be effective for periods ending after June 15, 2011.

In July 2010, the Financial Accounting Standards Board (FASB) issued guidance on “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Loan Losses,” which is intended to provide additional information to assist financial statement users in assessing an entity’s credit risk exposures and evaluating the adequacy of the allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis (by portfolio segment and class of financing receivable) including among others, a roll forward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables by class, the nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For nonpublic entities, the disclosures are effective for annual reporting periods ending on or after December 15, 2011. The adoption of this Standard will not have an impact on the association’s financial condition or results of operations, but will result in additional disclosures for annual reporting periods ending after December 15, 2011.

In January 2010, the FASB issued guidance on “Fair Value Measurements and Disclosures,” which is to improve disclosures about fair value measurement by increasing transparency in financial reporting. The changes will provide a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurement. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures were effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this Standard did not impact the association’s financial condition and results of operations but resulted in additional disclosures.

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, 2010 Annual Report of Ag New Mexico, Farm Credit Services, ACA more fully describe the association’s relationship with the bank.

The Texas 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 fcf@farmcreditbank.com. The district makes its annual and quarterly stockholder reports available on its website 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, 233 Fairway Terrace North, Clovis, New Mexico 88102-1328 or calling (575) 762-3828. Copies of the association’s quarterly stockholder reports can also be requested by e-mailing bill.jones@farmcreditbank.com.

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2011 (unaudited)	December 31, 2010
<u>ASSETS</u>		
Cash	\$ 102,917	\$ 103,451
Investments	21,109,931	24,016,717
Loans	142,669,938	150,517,886
Less: allowance for loan losses	2,534,448	2,522,097
Net loans	<u>140,135,490</u>	<u>147,995,789</u>
Accrued interest receivable	2,202,569	2,643,064
Investment in and receivable from the bank:		
Capital stock	3,852,310	3,852,310
Other	525,604	731,971
Deferred taxes, net	2,162,642	2,114,788
Other property owned, net	7,000	7,000
Premises and equipment	3,327,031	2,759,459
Other assets	330,031	427,680
Total assets	<u><u>\$ 173,755,525</u></u>	<u><u>\$ 184,652,229</u></u>
<u>LIABILITIES</u>		
Note payable to the bank	\$ 144,925,497	\$ 156,152,850
Advance conditional payments	285,151	148,567
Accrued interest payable	281,954	270,585
Drafts outstanding	2,193	47,071
Patronage distributions payable	191	191
Other liabilities	1,047,638	1,140,084
Total liabilities	<u><u>146,542,624</u></u>	<u><u>157,759,348</u></u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	330,060	334,785
Unallocated retained earnings	27,031,497	26,700,182
Accumulated other comprehensive income (loss)	(148,656)	(142,086)
Total members' equity	<u>27,212,901</u>	<u>26,892,881</u>
Total liabilities and members' equity	<u><u>\$ 173,755,525</u></u>	<u><u>\$ 184,652,229</u></u>

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

	Quarter Ended	
	March 31,	
	2011	2010
<u>INTEREST INCOME</u>		
Loans	\$ 1,699,542	\$ 2,600,092
Investments	<u>251,674</u>	<u>32,997</u>
Total interest income	<u>1,951,216</u>	2,633,089
<u>INTEREST EXPENSE</u>		
Note payable to the bank	756,164	1,385,472
Advance conditional payments	-	2
Total interest expense	<u>756,164</u>	<u>1,385,474</u>
Net interest income	<u>1,195,052</u>	1,247,615
<u>PROVISION FOR LOAN LOSSES</u>		
Net interest income after provision for loan losses	<u>-</u>	<u>(723,070)</u>
	<u>1,195,052</u>	<u>1,970,685</u>
<u>NONINTEREST INCOME</u>		
Income from the bank:		
Patronage income	9,369	15,424
Loan fees	15,800	56,368
Financially related services income	37,939	15,106
Gain (loss) on other property owned, net	876	(505,227)
Gain (loss) on sale of premises and equipment, net	2,000	(7,247,712)
Other noninterest income	<u>13,500</u>	<u>9,000</u>
Total noninterest income	<u>79,484</u>	<u>(7,657,041)</u>
<u>NONINTEREST EXPENSES</u>		
Salaries and employee benefits	547,123	569,625
Directors' expense	40,717	79,158
Purchased services	29,392	61,449
Travel	35,909	49,570
Occupancy and equipment	113,372	123,291
Communications	5,513	6,954
Advertising	5,554	17,102
Public and member relations	11,057	6,279
Supervisory and exam expense	73,538	85,063
Insurance Fund premiums	24,715	63,837
Other noninterest expense	<u>102,101</u>	<u>98,398</u>
Total noninterest expenses	<u>988,991</u>	<u>1,160,726</u>
Income before income taxes	<u>285,545</u>	<u>(6,847,082)</u>
Provision for (benefit from) income taxes	<u>(45,770)</u>	<u>(696,804)</u>
Net income	<u>\$ 331,315</u>	<u>\$ (6,150,278)</u>

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2009	\$ 358,075	\$ -	\$ -	\$ 29,636,676	\$ 114,208	\$ 30,108,959
Comprehensive income						
Net income	-	-	-	(6,150,278)	-	(6,150,278)
Change in postretirement benefit plans	-	-	-	-	(9,362)	(9,362)
Total comprehensive income	-	-	-	(6,150,278)	(9,362)	(6,159,640)
Capital stock/participation certificates and allocated retained earnings issued	8,425	-	-	-	-	8,425
Capital stock/participation certificates and allocated retained earnings retired	(14,440)	-	-	-	-	(14,440)
Balance at March 31, 2010	<u>\$ 352,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,486,398</u>	<u>\$ 104,846</u>	<u>\$ 23,943,304</u>
Balance at December 31, 2010	\$ 334,785	\$ -	\$ -	\$ 26,700,182	\$ (142,086)	\$ 26,892,881
Comprehensive income						
Net income	-	-	-	331,315	-	331,315
Change in postretirement benefit plans	-	-	-	-	(6,570)	(6,570)
Total comprehensive income	-	-	-	331,315	(6,570)	324,745
Capital stock/participation certificates and allocated retained earnings issued	2,635	-	-	-	-	2,635
Capital stock/participation certificates and allocated retained earnings retired	(7,360)	-	-	-	-	(7,360)
Balance at March 31, 2011	<u>\$ 330,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,031,497</u>	<u>\$ (148,656)</u>	<u>\$ 27,212,901</u>

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

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 the state 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.

The significant accounting policies followed and the financial condition and results of operations of the association as of and for the year ended December 31, 2010 are contained in the 2010 Annual Report to Stockholders. These unaudited first quarter 2011 financial statements should be read in conjunction with the 2010 Annual Report to Stockholders.

In January 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, “Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings.” This guidance temporarily delays the effective date of the disclosures about troubled debt restructurings required by the guidance previously issued on “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.” The effective date of the new disclosures about troubled debt restructurings and guidance for determining what constitutes a troubled debt restructuring will be coordinated and is anticipated to be effective for periods ending after June 15, 2011.

In July 2010, the FASB issued guidance on “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Loan Losses,” which is intended to provide additional information to assist financial statement users in assessing an entity’s credit risk exposures and evaluating the adequacy of the allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis (by portfolio segment and class of financing receivable) including among others, a roll forward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables by class, the nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For nonpublic entities, the disclosures are effective for annual reporting periods ending on or after December 15, 2011. The adoption of this Standard will not have an impact on the association’s financial condition or results of operations, but will result in additional disclosures for annual reporting periods ending after December 15, 2011.

In January 2010, the FASB issued guidance on “Fair Value Measurements and Disclosures,” which is to improve disclosures about fair value measurement by increasing transparency in financial reporting. The changes will provide a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurement. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures were effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this Standard did not impact the association’s financial condition and results of operations but resulted in additional disclosures.

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 ended March 31, 2011, are not necessarily indicative of the results to be expected for the year ended December 31, 2011. Certain amounts in the prior period’s financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — INVESTMENTS:

Effective March, 2010, \$26.4 million of agricultural mortgage loans previously covered under a Long-Term Standby Commitment to Purchase agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac) were securitized. No gain or loss was recognized in the financial statements upon completion of the securitization. Terms of the agreement call for a guarantee fee of 20-50 basis points to be paid to Farmer Mac, and for the association to receive a 30-basis-point fee for servicing the underlying loans.

The following is a summary of Farmer Mac agricultural mortgage-backed securities:

	March 31, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	\$ 21,109,931	\$ -	\$ 469,247	\$ 20,640,684	4.43 %

	December 31, 2010				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	\$ 24,016,717	\$ -	\$ 434,242	\$ 23,582,475	4.59 %

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of Farmer Mac investments held-to-maturity at March 31, 2011:

Farmer Mac	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Agricultural mortgage-backed securities	\$ -	-	\$ 20,640,684	4.43 %	\$ -	-	\$ -	-	\$ 20,640,684	4.43 %
Total fair value	-	-	\$ 20,640,684	4.43 %	-	-	-	-	\$ 20,640,684	4.43 %
Total amortized cost	\$ -	-	\$ 21,109,931	4.43 %	\$ -	-	\$ -	-	\$ 21,109,931	4.43 %

The association evaluates investment securities for other-than-temporary impairment on a quarterly basis. Impairment is considered to be other than temporary if an entity (i) intends to sell the security, (ii) is more likely than not to be required to sell the security before recovering its cost, or (iii) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell).

If the association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the association does not intend to sell securities in an unrealized loss position, other-than-temporary impairment is considered using various factors, including the length of time and the extent to which the fair value is less than cost, adverse conditions specifically related to the industry, geographic area and the condition of the underlying collateral, payment structure of the security, ratings by rating agencies, the creditworthiness of bond insurers and volatility of the fair value changes. The association uses estimated cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist. In estimating cash flows, it considers factors such as expectations of relevant market and economic data, including underlying loan level data for mortgage-backed and asset-backed securities and credit enhancements.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	March 31, 2011 Amount	December 31, 2010 Amount
Production agriculture:		
Real estate mortgage	\$ 68,444,960	\$ 69,699,557
Production and intermediate term	45,949,477	51,833,947
Agribusiness:		
Loans to cooperatives	1,076,435	697,190
Processing and marketing	14,848,016	13,818,279
Farm-related business	8,271,412	10,390,968
Communication	1,855,331	1,924,231
Energy	876,563	881,127
Water and waste disposal	-	-
Rural residential real estate	1,347,744	1,272,587
International	-	-
Lease receivables	-	-
Total	\$ 142,669,938	\$ 150,517,886

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, 2011	December 31, 2010
Balance at beginning of quarter	\$ 2,522,097	\$ 4,172,510
Provision for loan losses	-	-
Charge-offs	-	(1,651,097)
Recoveries	12,351	684
Balance at end of quarter	\$ 2,534,448	\$ 2,522,097

The following table presents information concerning impaired loans:

	March 31, 2011	March 31, 2010
Impaired loans with related allowance	\$ 5,247,765	\$ 5,187,540
Impaired loans with no related allowance	7,662,494	3,423,708
Total impaired loans	\$ 12,910,259	\$ 8,611,248
Allowance on impaired loans	\$ 1,792,855	\$ 1,877,881
Average impaired loans	\$ 13,934,935	\$ 13,424,708
Interest income on impaired loans for the quarter	\$ 118,258	\$ 55,723

NOTE 4 — 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 5 — 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 the three months ended March 31, 2011, 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 (more than 50 percent probability), based on management's estimate, that they will not be realized. For the three months ended March 31, 2011, and 2010 net income for tax purposes amounted to \$124,722 and a net loss of \$-1,852,226 respectively for Ag New Mexico FCS, ACA and the subsidiary, Ag New Mexico FCS, PCA, which are the taxable entities. The tax benefits generated for the three months ended March 31, 2011 and 2010 were \$45,770 and \$696,804 respectively.

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

NOTE 6 — FAIR VALUE MEASUREMENTS:

FASB guidance 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. See Note 2 to the 2010 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

<u>March 31, 2011</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>	<u>Total Gains (Losses)</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Assets:					
Loans *	\$ -	\$ -	\$ 3,808,529	\$ 3,808,529	\$ (1,792,855)
Other property owned	-	-	-	-	-
<u>December 31, 2010</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>	<u>Total Gains (Losses)</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Assets:					
Loans *	\$ -	\$ -	\$ 3,769,059	\$ 3,769,059	\$ (1,792,855)
Other property owned	-	-	7,000	7,000	-

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance, "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 2 to the 2010 Annual Report to Stockholders, authoritative guidance 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 the associations' assets and liabilities. For a more complete description, see Notes to the 2010 Annual Report to Stockholders.

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities are classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using quoted prices for similar securities received from pricing services, pricing models that utilize observable inputs or discounted cash flows. Generally, these securities are classified as Level 2. This would include certain mortgage-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 include asset-backed securities and certain mortgage-backed securities, including those issued by Farmer Mac.

Loans

For certain loans evaluated for impairment under authoritative guidance, the fair value is based upon the underlying collateral since the loans were collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires 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.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral value, which is generally determined using appraisals or other indications based on comparable sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of non-pension other postretirement employee benefits for the three months ended March 31,:

	Other Benefits	
	2011	2010
Service cost	\$ 6,390	\$ 7,127
Interest cost	9,185	10,039
Expected return on plan assets	-	-
Amortization of prior service costs	(16,665)	(16,665)
Amortizations of net (gain) loss	3,428	6,695
Net periodic benefit cost	<u>\$ 2,338</u>	<u>\$ 7,196</u>

The association previously disclosed in its financial statements for the year ended December 31, 2010, that it expected to contribute \$295,931 to its defined pension plan in 2011. As of March 31, 2011, \$73,983 of contributions has been made. The association presently anticipates contributing an additional \$221,948 to fund its defined pension plan in 2011 for a total of \$295,931.

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. There are two pending cases of litigation which are counterclaims against the association. The association's legal council estimates that damages could amount to \$1 million should the parties filing lawsuits against the association prevail. The association's attorneys and management estimate the

probability to the lawsuits being resolved against the association range from remote to less than likely. Accordingly, no liabilities relating to the pending litigation have been accrued by the association.

NOTE 9 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through March 9, 2011, which is the date the financial statements were available to be issued.