



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services Illinois, 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 Farm Credit Services Illinois, 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 1100 Farm Credit Drive, Mahomet, Illinois 61853, (217) 590-2200. 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 \$1.9 billion at March 31, 2009, a \$106.8 million decrease from December 31, 2008. This decrease is due to the seasonal credit needs of farmers and liquidity in the marketplace.

In May 2008, we sold \$500.0 million of a participation interest in a pool of real estate loans to AgriBank, FCB (AgriBank). AgriBank has established a separate patronage pool for these assets. Any patronage declared on these pools is solely at the discretion of the AgriBank Board of Directors. AgriBank expects to pay patronage in an amount that approximates the net earnings of these loans. As required by our agreement with AgriBank, we purchased additional AgriBank common stock equal to 8% of the pool assets. The sale of these assets was designed to improve our regulatory capital measures and increase AgriBank's net collateral ratio.

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	\$49	\$54
Past due 90 days or more still accruing	--	1,570
Nonaccrual	25,358	25,132
Total risk loans	\$25,407	26,756
Other property owned	--	7
Total risk assets	\$25,407	\$26,763
Risk loans as a % of total loans	1.4%	1.3%
Total delinquencies as a % of total loans	0.9%	0.3%

Our risk assets have decreased from December 31, 2008, and remain at acceptable levels as a result of ongoing collection and restructuring efforts.

Based on our analysis, any loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection.

Total risk loans as a percentage of total loans remains well within our established risk management guidelines. Nonaccrual loans remain consistent with December 31, 2008 levels. The volume of nonaccrual loans remained at an acceptable level at March 31, 2009, and represented 1.4% of our total portfolio. At March 31, 2009, 72.7% of our nonaccrual loans were current. In April 2009, we acquired a portion of our nonaccrual volume, representing our participation interest in certain ethanol loans. This nonaccrual volume at March 31, 2009 totaled \$13.4 million. The properties acquired are held in limited liability corporations formed by the lenders for that purpose.

As a result of recognition of additional risk in the ethanol portfolio, the credit quality of our portfolio has declined from December 31, 2008. Adversely classified assets increased from 1.6% of the portfolio at December 31, 2008, to 1.9% 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.

In some circumstances, we use various governmental guarantee programs to reduce the risk of loss. At March 31, 2009, \$17.4 million of our loans were, to some level, guaranteed under these governmental programs.

The System continues to fulfill its mission and be a reliable source of debt capital for the farmers, ranchers and other rural businesses that we serve. During the second half of 2008, the culmination of negative economic developments in the global financial markets created a high level of volatility and uncertainty among global financial institutions in general. This volatility has constrained the System's ability to issue debt in the preferred maturities and structures that have traditionally been used to fund our loan portfolios. Access to funding improved during the first quarter of 2009 and the System has been able to issue debt with a broad enough range of maturities and structures to allow the AgriBank District to continue to offer our complete array of loan products including loan products with maturities in excess of five years. Responses by the Federal Government, including explicit actions to protect the housing GSEs and to capitalize and guarantee the liabilities of many commercial banks, have had an unintended consequence of increasing our spread over Treasury rates relative to these institutions and reducing our ability to issue debt at preferred maturities and structures. Because of the System's sound financial condition, we expect to continue to issue debt securities as necessary to meet our funding needs. However, spreads relative to Treasuries and swap rates are expected to remain at higher levels than our historical experience.

Continued cold, wet weather has led to excessive soil moisture which is translating into spring fieldwork delays. Input costs have dropped significantly from the record highs of 2008. Commodity prices have also fallen dramatically affecting the profitability outlook for 2009. Livestock producers continue to experience limited to negative margins due primarily to week market prices.

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:

	March 31 2009	December 31 2008
Allowance as a percentage of:		
Loans	0.4%	0.3%
Nonaccrual loans	32.2%	23.1%
Total risk loans	32.1%	21.7%

The increase in allowance percentages reflect the impact of additional allowance added during the first quarter of 2009 as a result of increasing adverse loan volume.

### Results of Operations

Net income for the three months ended March 31, 2009 totaled \$6.3 million compared to \$8.6 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%	1.6%
Return on average members' equity	6.7%	10.1%

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	(\$587)
Provision for loan losses	(2,901)
Patronage income	1,650
Financially related services and miscellaneous income, net	295
Operating expenses	(805)
Provision for income taxes	55
Total change in net income	(\$2,293)

Net interest income was \$11.6 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	(\$842)
Changes in rates	165
Changes in nonaccrual income and other	90
Net change	(\$587)

The change in the provision for loan losses is related to provision for loan losses recorded in the first quarter of 2009 as a result of charge-offs and increases in specific reserves in the ethanol portfolio as well as the continued decline of the general economy. The increase in patronage income is primarily related to \$2.0 million of patronage received on participations sold to AgriBank, offset by a decrease in regular patronage. The increase in financially related services and miscellaneous income, net is primarily due to an increase in fee income which was somewhat offset by a decrease in multi-peril insurance income. The operating expense increases were primarily related to increased salary and benefits and FCS insurance

expense. The change in provision for income taxes is related to changes in income subject to taxation.

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 following Funding, Liquidity and Capital section.

### Funding, Liquidity and Capital

We borrow from AgriBank, FCB in the form of a line of credit. Our promissory note matured on May 29, 2008, and was renewed for \$2.5 billion with a maturity date of July 31, 2009. The note will be renegotiated at that time. 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 \$6.3 million from December 31, 2008, due to net income for the period partially offset by a decrease in capital stock and participation certificates.

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 calculation of these ratios according to Farm Credit Administration Regulations is discussed below:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At March 31, 2009, our ratio was 14.0%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At March 31, 2009, our ratio was 13.7%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank, FCB divided by average risk-adjusted assets. At March 31, 2009, our ratio was 13.7%.

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.

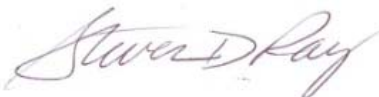
The undersigned certify they have reviewed Farm Credit Services Illinois, ACA's March 31, 2009 quarterly report and it has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements and the information contained herein is true,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



Jack Hastings  
Chairperson of the Board  
Farm Credit Services of Illinois, ACA



David M. Owens  
Chief Executive Officer  
Farm Credit Services of Illinois, ACA



Steven D. Ray  
Chief Financial Officer  
Farm Credit Services Illinois, ACA

April 30, 2009

**CONSOLIDATED STATEMENT OF CONDITION**

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

(Unaudited)

	March 31 2009	December 31 2008
<b>ASSETS</b>		
Loans	<b>\$1,858,222</b>	\$1,965,059
Allowance for loan losses	<b>8,164</b>	5,805
Net loans	<b>1,850,058</b>	1,959,254
Investment in AgriBank	<b>75,711</b>	77,814
Accrued interest receivable	<b>20,955</b>	25,939
Premises and equipment, net	<b>8,732</b>	8,683
Other property owned	<b>--</b>	7
Other assets	<b>7,999</b>	8,022
Total assets	<b>\$1,963,455</b>	\$2,079,719
<b>LIABILITIES</b>		
Note payable to AgriBank	<b>\$1,569,380</b>	\$1,684,622
Accrued interest payable	<b>9,844</b>	13,604
Net deferred income tax liability	<b>618</b>	809
Other liabilities	<b>4,871</b>	8,204
Total liabilities	<b>1,584,713</b>	1,707,239
Contingencies		
<b>MEMBERS' EQUITY</b>		
Protected members' equity	<b>38</b>	41
Capital stock and participation certificates	<b>7,138</b>	7,156
Unallocated surplus	<b>371,566</b>	365,283
Total members' equity	<b>378,742</b>	372,480
Total liabilities and members' equity	<b>\$1,963,455</b>	\$2,079,719

**CONSOLIDATED STATEMENT OF INCOME**

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

(Unaudited)

Period ended March 31	2009	2008
<b>Interest income</b>	<b>\$21,478</b>	\$31,822
<b>Interest expense</b>	<b>9,844</b>	19,601
Net interest income	<b>11,634</b>	12,221
<b>Provision for (reversal of) loan losses</b>	<b>2,879</b>	(22)
Net interest income after provision for loan losses	<b>8,755</b>	12,243
<b>Other income</b>		
Patronage income	<b>2,812</b>	1,162
Financially related services and miscellaneous income, net	<b>2,285</b>	1,990
Total other income	<b>5,097</b>	3,152
<b>Operating expense</b>		
Salaries and employee benefits	<b>3,865</b>	3,387
Other operating	<b>3,534</b>	3,207
Total operating expense	<b>7,399</b>	6,594
Income before income taxes	<b>6,453</b>	8,801
<b>Provision for income taxes</b>	<b>170</b>	225
Net income	<b>\$6,283</b>	\$8,576

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

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Surplus	Total Members' Equity
<b>Balance at December 31, 2007</b>	\$50	\$6,759	\$328,486	\$335,295
Net income	--	--	8,576	8,576
issued	--	229	--	229
retired	(4)	(159)	--	(163)
<b>Balance at March 31, 2008</b>	\$46	\$6,829	\$337,062	\$343,937
<b>Balance at December 31, 2008</b>	\$41	\$7,156	\$365,283	\$372,480
Net income	--	--	<b>6,283</b>	<b>6,283</b>
Capital stock/participation certificates	--	<b>168</b>	--	<b>168</b>
Capital stock/participation certificates	<b>(3)</b>	<b>(186)</b>	--	<b>(189)</b>
<b>Balance at March 31, 2009</b>	<b>\$38</b>	<b>\$7,138</b>	<b>\$371,566</b>	<b>\$378,742</b>

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 Farm Credit Services Illinois, ACA (the parent) and Farm Credit Services Illinois, FLCA and Farm Credit Services Illinois, 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	\$5,805	\$2,278
Provision for loan losses	2,879	(22)
Loan recoveries	6	51
Loan chargeoffs	(526)	(10)
Balance at end of period	\$8,164	\$2,297

The increase in allowance for loan losses was primarily due an increase in adverse loan volume.

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

As of March 31	2009	2008
Volume with specific reserves	\$10,654	\$302
Volume without specific reserves	14,753	2,950
Total risk loans	\$25,407	\$3,252
Total specific reserves	\$3,852	\$166

For the three months ended March 31	2009	2008
Income on accrual risk loans	\$1	\$3
Income on nonaccrual loans	126	44
Total income on risk loans	\$127	\$47
Average recorded investment	\$26,082	\$3,252

The increase in risk loans was due to two large participation loans that were moved to nonaccrual status at the end of 2008.

### 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

SFAS No. 157 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 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. 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 *	\$0	\$266	\$6,536	\$6,802	\$3,852

\*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. However, 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.

#### 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 3.