



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of Illinois, ACA and its subsidiaries. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations. Our 2009 annual report should also be read for a description of our organization, operations and significant accounting policies.

AgriBank, FCB's (AgriBank) financial condition and results of operations materially affect shareholders' investment in Farm Credit Services of Illinois, ACA. To request free copies of the AgriBank and 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 at 375 Jackson Street, St. Paul, Minnesota 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The AgriBank and combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank's website at www.agribank.com.

Loan Portfolio

Loan volume totaled \$2.1 billion at June 30, 2010, a \$360 thousand decrease from December 31, 2009. This decrease is due to a reduction in commercial loan volume.

Risk Assets

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

	June 30	December 31
As of:	2010	2009
Loans:		
Accruing restructured	\$886	\$951
Past due 90 days or more still accruing	1,035	204
Nonaccrual	20,400	21,111
Total risk loans	22,321	22,266
Other property owned	17	961
Total risk assets	\$22,338	\$23,227
Risk loans as a % of total loans	1.0%	1.0%
Total delinquencies as a % of total loans	0.4%	0.3%

Our risk assets have decreased from December 31, 2009, and remain at acceptable levels.

Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

The decrease in nonaccrual loans was due to payments received on nonaccruing loans during the first quarter. The volume of nonaccrual loans remained at an acceptable level at June 30, 2010, and represented 1.0% of our total portfolio. At June 30, 2010, 85.7% of our nonaccrual loans were current.

The decline in other property owned was related to the sale of an ethanol property.

Portfolio Credit Quality

As a result of a large commercial account being downgraded the credit quality of our portfolio has declined from December 31, 2009. Adversely classified assets have increased to 4.0% of the portfolio at June 30, 2010, from 3.2% of the portfolio at December 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 June 30, 2010, \$18.3 million of our loans were, to some level, guaranteed under these governmental programs.

Agricultural and Economic Conditions

Excessive rainfall amounts continue to be a concern in our territory. Planting delays were common in many areas, especially for soybeans, and in some small areas bean planting is still not complete. In many areas, heavy rainfall after crop emergence has had a negative effect on crop conditions as standing water has inhibited fertilizer uptake and reduced plant populations. Uneven stands are common. Muddy conditions have delayed or prevented timely application of herbicides and weed control is below average in many counties. Compaction problems resulting from wet conditions during last fall's harvest are evident in many fields. As of the 6/28/10 USDA Crop Conditions report, 59% of Illinois had surplus moisture and 6% of the soybeans had not yet been planted. This report classified 67% of the corn crop in Illinois as good or excellent and 62% of the soybeans as good or excellent.

Allowance for Loan Losses

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:

	June 30	December 31
Allowance as a percentage of:	2010	2009
Loans	0.4%	0.5%
Nonaccrual loans	42.6%	46.2%
Total risk loans	38.9%	43.8%

The reduction in our allowance for loan losses is attributed to a reversal of specific allowance on a purchased participation loan. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2010.

Results of Operations

Net income for the six months ended June 30, 2010, totaled \$31.1 million compared to \$16.8 million for the same period of 2009. The following table illustrates profitability information:

As of June 30	2010	2009
Return on average assets	2.9%	1.7%
Return on average members' equity	14.7%	8.8%

The following table summarizes the changes in components of net income for the six months ended June 30, 2010, compared to the six months ended June 30, 2009 (in thousands):

Increase (decrease) in net income	2010 vs 2009
Net interest income	\$5,611
Provision for loan losses	3,546
Patronage income	1,171
Financially related services and miscellaneous income, net	5,116
Operating expenses	(212)
Provision for income taxes	(919)
Total change in net income	\$14,313

Net interest income was \$29.2 million for the six months ended June 30, 2010. The following table quantifies changes in net interest income for the six months ended June 30, 2010, compared to the six months ended June 30, 2009 (in thousands):

Change in net interest income	2010 vs 2009
Changes in volume	\$2,834
Changes in rates	2,915
Changes in nonaccrual income and other	(138)
Net change	\$5,611

The change in the provision for loan losses is related to economic recovery in the ethanol industry as well as improved conditions in the swine industry.

The change in patronage income is related to increased patronage received based on our note payable due to an increase in the patronage rate. Additionally, patronage income on our sale of a participation interest in certain real estate loans to AgriBank increased due to the share of distributions from Allocated Insurance Reserve Accounts (AIRA) totaling \$451 thousand related to the participations sold to AgriBank. These reserve accounts were established in previous years by the Farm Credit System Insurance Corporation when premiums collected increased the level of the Insurance Fund beyond the required 2% of insured debt.

The increase in financially related services and miscellaneous income, net is due to our share of distributions from AIRA of \$2.1 million, along with an increase in multi-peril crop insurance income.

The operating expense increases were primarily related to an increase in salaries and benefits expense which was somewhat offset by lower Farm Credit System Insurance premiums. The change in provision for income taxes is related to changes in income subject to tax.

Changes in our return on average assets and return on average members' equity are directly related to the changes in income discussed above, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Capital section below.

Funding, Liquidity and Capital

We borrow from AgriBank in the form of a line of credit. Our promissory note matured on July 31, 2010, and was renewed for \$2.75 million with a maturity date of July 31, 2011. 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 \$31.2 million from December 31, 2009, due to net income for the period along with an increase 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 generally average at-risk capital divided by average risk-adjusted assets. At June 30, 2010, our ratio was 15.0%.
- The total surplus ratio is generally average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At June 30, 2010, our ratio was 14.7%.
- The core surplus ratio is generally average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank divided by average risk-adjusted assets. At June 30, 2010, our ratio was 14.7%.

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.

Certification

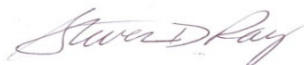
The undersigned certify they have reviewed Farm Credit Services of Illinois, ACA's June 30, 2010, quarterly report. It has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, 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 of Illinois, ACA

August 5, 2010

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

(Unaudited)

	June 30	December 31
	2010	2009
ASSETS		
Loans	\$2,116,701	\$2,117,061
Allowance for loan losses	8,686	9,753
Net loans	2,108,015	2,107,308
Investment in AgriBank, FCB	75,968	76,004
Accrued interest receivable	24,939	26,810
Premises and equipment, net	11,076	9,362
Other property owned	17	961
Other assets	11,596	10,444
Total assets	\$2,231,611	\$2,230,889
LIABILITIES		
Note payable to AgriBank, FCB	\$1,777,075	\$1,803,006
Accrued interest payable	8,629	8,817
Net deferred income tax liability	65	691
Other liabilities	5,140	8,894
Total liabilities	1,790,909	1,821,408
MEMBERS' EQUITY		
Protected members' equity	30	31
Capital stock and participation certificates	7,440	7,325
Unallocated surplus	433,232	402,125
Total members' equity	440,702	409,481
Total liabilities and members' equity	\$2,231,611	\$2,230,889

CONSOLIDATED STATEMENT OF INCOME

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

(Unaudited)

Period ended June 30	Three Months		Six Months	
	2010	2009	2010	2009
Interest income	\$23,644	\$21,072	\$46,406	\$42,550
Interest expense	8,629	9,074	17,163	18,918
Net interest income	15,015	11,998	29,243	23,632
(Reversal of) provision for loan losses	(1,182)	(92)	(759)	2,787
Net interest income after provision for loan losses	16,197	12,090	30,002	20,845
Other income				
Patronage income	3,130	2,540	6,523	5,352
Financially related services and miscellaneous income, net	4,145	2,495	9,896	4,780
Total other income	7,275	5,035	16,419	10,132
Operating expense				
Salaries and employees benefits	4,269	3,599	8,782	7,464
Other operating	2,250	3,076	5,504	6,610
Total operating expenses	6,519	6,675	14,286	14,074
Income before income taxes	16,953	10,450	32,135	16,903
Provision for (reversal of) income taxes	411	(61)	1,028	109
Net income	\$16,542	\$10,511	\$31,107	\$16,794

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	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2008	\$41	\$7,156	\$365,283	\$372,480
Net income	--	--	16,794	16,794
Capital stock/participation certificates issued	--	362	--	362
Capital stock/participation certificates retired	(4)	(297)	--	(301)
Balance at June 30, 2009	\$37	\$7,221	\$382,077	\$389,335
Balance at December 31, 2009	\$31	\$7,325	\$402,125	\$409,481
Net income	--	--	31,107	31,107
Capital stock/participation certificates issued	--	417	--	417
Capital stock/participation certificates retired	(1)	(302)	--	(303)
Balance at June 30, 2010	\$30	\$7,440	\$433,232	\$440,702

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 2009 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, 2009. These unaudited second quarter 2010 consolidated financial statements should be read in conjunction with the 2009 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 six months ended June 30, 2010, are not necessarily indicative of the results to be expected for the year ended December 31, 2010.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of Illinois, ACA (the parent) and Farm Credit Services of Illinois, FLCA and Farm Credit Services of Illinois, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recent Accounting Developments

Effective January 1, 2010, we adopted Financial Accounting Standards Board (FASB) guidance on "Fair Value Measurements and Disclosures," which improves disclosures about fair value measurements by increasing transparency in financial reporting. The guidance provides for a greater level of disaggregated information for assets and liabilities measured on a recurring basis and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on our financial condition and results of operations.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by providing clarification of the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The guidance also requires additional disclosure about transfers of financial assets and a transferor's continuing involvement with transferred assets. This guidance was effective as of January 1, 2010. This guidance must be applied to transfers occurring on or after the effective date. Adoption of this guidance did not have a material impact on our financial condition and results of operations.

NOTE 2: Allowance for Loan Losses

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

Six months ended June 30	2010	2009
Balance at beginning of year	\$9,753	\$5,805
(Reversal of) provision for loan losses	(759)	2,787
Loan recoveries	151	10
Loan chargeoffs	(459)	(1,735)
Balance at end of period	\$8,686	\$6,867

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

	June 30 2010	December 31 2009
As of:		
Volume with specific reserves	\$17,545	\$17,675
Volume without specific reserves	4,776	4,591
Total risk loans	\$22,321	\$22,266
Total specific reserves	\$1,976	\$3,542
Six months ended June 30	2010	2009
Income on accrual risk loans	\$34	\$16
Income on nonaccrual loans	237	190
Total income on risk loans	\$271	\$206
Average recorded investment	\$22,080	\$21,996

NOTE 3: Contingencies

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be 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

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 in our 2009 annual report for a more complete description.

We do not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2010, or December 31, 2009. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (in thousands):

	Fair Value Measurement Using			Total Fair Value	Total Gain (Loss)
	Level 1	Level 2	Level 3		
June 30, 2010					
Loans	\$ --	\$60	\$16,287	\$16,347	\$1,566
Other property owned	--	--	18	18	866
December 31, 2009					
Loans	\$ --	\$ --	\$14,840	\$14,840	(\$1,304)
Other property owned	--	--	999	999	100

Loans: 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 collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 5: Subsequent Events

We have evaluated subsequent events through August 5, 2010, which is the date the financial statements were available to be issued.