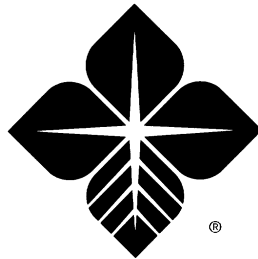




Second Quarter 2008
Financial Report to Stockholders

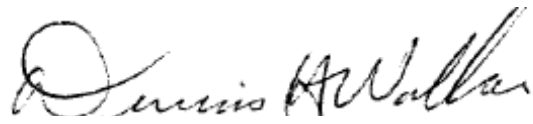


REPORT OF MANAGEMENT

The undersigned certify that this report has been prepared and reviewed 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.



Roger Brist, Chief Executive Officer
July 30, 2008



Dennis Walker, Chairman, Board of Directors
July 30, 2008



Joe Valladares, VP of Finance/Accounting
July 30, 2008

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

(Dollars in thousands except as noted)

The following commentary reviews the financial performance of the AgriLand, Farm Credit Services (Agricultural Credit Association), referred to as the Association for the second quarter ending June 30, 2008. These comments should be read in conjunction with the accompanying financial statements and the 2007 AgriLand, Farm Credit Services Annual Report.

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 experienced a strong start to 2008 with accrual loan growth of 7.5% for the first six months. Interest income is lower than anticipated. This is attributed to slimming margins and an increase in nonaccrual volume and foregone interest income generated from these adverse assets. During the third quarter 2007, the Association identified two participation loans to one entity that were deemed to be nonaccrual due to significant operating losses experienced by the entity over the past 18 months. These loans have a combined balance of \$4,340 at June 30, 2008. A specific bad debt reserve totaling \$338 was recorded by the Association during the fourth quarter 2007 and an additional specific reserve totaling \$944 was recorded by the Association during the first quarter of 2008. In the second quarter of 2008 the reserves on both loans were adjusted and totaled \$1,230. The adjustment during the second quarter of 2008 was based on a revised collateral assessment prepared by Association management during this period. The Association is closely monitoring and working with the originating association and this entity as it develops a plan for repayment or refinance of the debt. This provision does not represent an overall increase in portfolio risk, but rather an isolated series of events.

Loan Portfolio:

Association loan volume was \$362,896 at June 30, 2008 as compared to \$337,401 at December 31, 2007. This represents a 7.6% increase from year-end. The Association experienced a 12.2% increase in loan volume when compared to June 30, 2007 when loan volume was \$323,568. This increase in loans is primarily due to increased demands for cattle, forestry, poultry and other commodities. Loan volume growth is also attributed to rural home, land, and recreational property financing. Total assets have shown a similar increase for the same period due to increased loan volume.

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. During the second quarter the Association's nonaccrual portfolio decreased slightly as compared to the 1st quarter of 2008. Past due loans greater than 90 days and still accruing interest decreased significantly due to a large entity making its past due payment during the first quarter. The following table illustrates the Association's components and trends of high-risk assets.

<i>(dollars in thousands)</i>	2008		2007		
		June 30		December 31	
Nonaccrual	\$	6,712	84.7%	\$ 7,805	75.6%
90 past due and still accruing interest		1,081	13.6%	2,475	24.0%
Other property owned, net		133	1.7%	49	0.5%
Total	\$	7,926	100.0%	\$ 10,329	100.1%

Results of Operations:

For the three-month period ended on June 30, 2008 the Association's net income was \$1,447 as compared to a net income of \$329 for the same three-month period in 2007. The increase in net income for the second quarter is due to a decrease in provision reserve adjustments of \$1,415 for the three-month period of 2008 as compared to 2007. Net interest income decreased by \$175 to \$2,453 as compared to 2007 which was \$2,566. This decrease in interest during the second quarter of 2008 is caused by a decrease in margins primarily due to Association lending practices to match competitive pricing. Margins are being closely monitored to prevent excessive decreases in interest margins.

The Association recorded \$2 in recoveries and \$159 in charge-offs for the quarter ending June 30, 2008, and \$44 in recoveries and \$329 in charge-offs for the same period in 2007. The Association's allowance for loan losses was 0.56 percent and 0.44 percent of total loans outstanding as of June 2008, and 2007, respectively.

Liquidity and Funding Sources:

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

(dollars in thousands)	(unaudited)	
	June 30, 2008	June 30, 2007
Note payable to the Bank	\$ 327,722	\$ 303,721
Accrued interest on note payable	1,147	1,357
Total	\$ 328,869	\$ 305,078

Capital Resources:

Total equity increased \$1,692 from \$42,551 in December 31, 2007 to \$44,243 at June 30, 2008. This is attributed to earnings and capital investments made by new borrowers during the period.

The Association's average permanent capital ratio was 11.1% for the three months ended June 30, 2008. The average total surplus ratio and core surplus ratio were 10.4% and 10.2%, respectively, for the same period. FCA regulations require a minimum of 7% permanent capital and total surplus ratio and a 3.5% core surplus ratio. Current day ratios are at 10.9% for permanent capital, total surplus and core surplus were 10.2% and 10.1%, respectively.

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, 2007 Annual Report of Agriland, Farm Credit Services 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 are available no later than 45 days after quarter-end. These reports can be obtained by writing to Agriland, Farm Credit Services, and 3210 WNW Loop 323, Tyler, Texas 75701 or calling (903)593-0151. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing jvalladares@agriland.com. Agriland makes its annual and quarterly stockholder reports available on its Web site at www.agriland.com.

AgriLand, Farm Credit Services

Consolidated Balance Sheet

(dollars in thousands)

	<u>June 30</u> <u>2008</u>	December 31 <u>2007</u>	June 30 <u>2007</u>
(unaudited)			
<u>Assets</u>			
Cash.....	\$ 160	\$ 49	\$ 163
Loans.....	362,896	337,401	323,568
Less allowance for loan losses.....	<u>(2,046)</u>	<u>(1,255)</u>	<u>(1,426)</u>
Net loans.....	360,850	336,146	322,142
Accrued interest receivable.....	7,129	7,248	8,447
Investment in Farm Credit Bank			
Capital stock.....	6,406	6,406	6,406
Other.....	1,802	1,404	972
Deferred tax assets.....	531	501	146
Other property owned, net.....	133	49	-
Premises and equipment, net.....	967	957	974
Other assets.....	358	178	292
Total assets.....	<u>\$ 378,336</u>	<u>\$ 352,938</u>	<u>\$ 339,542</u>
<u>Liabilities</u>			
Note payable to the Farm Credit Bank.....	327,722	303,721	291,552
Advance conditional payments.....	1,968	809	2,692
Accrued interest payable.....	1,147	1,357	1,366
Drafts outstanding.....	431	1,014	642
Patronage distributions payable.....	365	714	228
Other liabilities.....	<u>2,460</u>	<u>2,772</u>	<u>2,640</u>
Total liabilities.....	<u>\$ 334,093</u>	<u>\$ 310,387</u>	<u>\$ 299,120</u>
<u>Members' Equity</u>			
At-risk members' equity:			
Preferred stock.....	\$ 2,754	2,754	3,170
Capital stock and participation certificates.....	2,305	2,201	2,185
Allocated retained earnings.....	11,990	11,683	7,772
Unallocated retained earnings.....	<u>26,971</u>	<u>25,625</u>	<u>27,294</u>
Accumulated Other Comprehensive.....	223	288	0
Total members' equity.....	<u>44,243</u>	<u>42,551</u>	<u>40,422</u>
Total liabilities and members' equity.....	<u>\$ 378,336</u>	<u>\$ 352,938</u>	<u>\$ 339,542</u>

The accompanying notes are an integral part of these financial statements

AgriLand, Farm Credit Services
Consolidated Statements of Income
(dollars in thousands)

(unaudited)	For the three months ended June 30		For the six months ended June 30	
	2008	2007	2008	2007
<u>Interest Income</u>				
Loans.....	\$ 5,914	\$ 6,795	\$ 12,097	\$ 13,437
Other.....	7	11	14	24
Total interest income.....	5,921	6,806	12,111	13,461
<u>Interest Expense</u>				
Note payable to Farm Credit Bank of Texas.....	3,468	4,178	7,306	8,267
Net interest income.....	2,453	2,628	4,805	5,194
<u>Provision for Losses</u>				
Provision for loan losses.....	61	1,476	1,005	1,607
Net interest income after provision for losses....	2,392	1,152	3,800	3,587
<u>Noninterest Income</u>				
Income from the Bank:				
Patronage income.....	361	406	737	811
Loan fees.....	290	150	468	284
Fees for financial related services.....	3	17	8	23
Gains on sales of other property owned.....	-	13	-	20
Other operating income.....	10	6	19	22
Total noninterest income.....	664	592	1,232	1,160
<u>Noninterest expense</u>				
Salaries and employee benefits.....	909	751	1,752	1,545
Directors' expense.....	52	33	99	84
Purchased services.....	113	94	221	229
Travel.....	42	46	82	97
Occupancy and equipment.....	64	59	126	117
Communications.....	27	20	56	39
Advertising.....	40	39	75	73
Public and member relations.....	55	77	98	101
Supervisory and exam expense.....	50	81	103	88
FCSIC insurance expense.....	129	118	254	239
Losses on sales of other property owned.....	1	-	8	(1)
Other operating expenses.....	86	73	167	132
Total noninterest expense.....	1,568	1,391	3,041	2,743
Income before taxes.....	1,488	353	1,991	2,004
Provision for income taxes.....	41	24	(29)	33
Net income.....	\$ 1,447	\$ 329	\$ 2,020	\$ 1,971

The accompanying notes are an integral part of these financial statements

AgriLand, Farm Credit Services

Consolidated Statement of Changes In Capital
(dollars in thousands)

(unaudited)	Preferred Stock	Capital Stock/ Participation Certificates	Retained Earnings		Accumulated Comprehensive Income	Total Members Equity
			Allocated	Unallocated		
Balance at December 31, 2006.....	\$ 3,151	\$ 2,173	\$ 3,905	\$ 29,400	\$ -	\$ 38,629
Net Income.....	-	-	-	1,974	-	1,974
Capital stock/participation certificates issued..	-	293	-	-	-	293
Capital stock/participation certificates retired..	19	(281)	-	-	-	(262)
Patronage distribution						
Cash.....	-	-	-	(214)	-	(214)
Allocated.....	-	-	3,912	(3,912)	-	-
Distribution adjustment.....	-	-	(45)	46	-	1
Balance at June 30, 2007.....	\$ 3,170	\$ 2,185	\$ 7,772	\$ 27,294	\$ -	\$ 40,421
Balance at December 31, 2007.....	\$ 2,754	\$ 2,201	\$ 11,683	\$ 25,626	\$ 288	\$ 42,552
Net Income.....	-	-	-	2,022	-	2,022
Comprehensive income:						
Prior service credits (costs)	-	-	-	-	(64)	-
Other comprehensive income.....	-	-	-	-	(64)	(64)
Effects of accounting change regarding measurement date of postretirement benefits plans pursuant to FAS No. 158						
Service and interest costs for Oct 1-Dec. 31, net Amortization of prior service credits for Oct. 1-Dec. 31, net of tax	-	-	-	-	30	-
	-	-	-	-	(32)	-
Net effects of accounting change.....	-	-	-	-	(2)	(2)
Capital stock/participation certificates issued..	-	383	-	-	-	383
Capital stock/participation certificates retired..	-	(279)	-	-	-	(279)
Patronage distribution						
Cash.....	-	-	-	(352)	-	(352)
Allocated.....	-	-	1,535	(1,535)	-	(0)
Distribution adjustment.....	-	-	(1,227)	1,210	-	(17)
Balance at June 30, 2008.....	\$ 2,754	\$ 2,305	\$ 11,990	\$ 26,971	\$ 222	\$ 44,243

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

AGRILAND, FARM CREDIT SERVICES
NOTES TO QUARTERLY FINANCIAL STATEMENT
(Unaudited)
(Dollars in thousands except as noted)

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Agriland, Farm Credit Services (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 the counties of Anderson, Angelina, Bowie, Camp, Cass, Chambers, Cherokee, Collin, Cook, Dallas, Delta, Denton, Fannin, Franklin, Freestone, Grayson, Gregg, Hardin, Harrison, Henderson, Hopkins, Houston, Hunt, Jasper, Jefferson, Kaufman, Lamar, Leon, Liberty, Limestone, Marion, Montgomery, Morris, Nacogdoches, Newton, Orange, Panola, Polk, Rains, Red River, Rockwall, Rusk, Sabine, San Augustine, San Jacinto, Shelby, Smith, Titus, Trinity, Tyler, Upshur, Van Zandt, Walker and Wood in the state of 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 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 June 30, 2008, are not necessarily indicative of the results to be expected for the year ended December 31, 2008. 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:

	June 30	
	2008	2007
Balance beginning of quarter	\$ 2,141	\$ 235
Provisions for loan losses	61	1,476
Charge-Offs	(159)	(329)
Recoveries	2	44
Balance at end of quarter	\$ 2,046	\$ 1,426

The following table presents information concerning impaired loans.

	June 30	
	2008	2007
Impaired loans with related allowance	\$ 5,827	\$ 447
Impaired loans with no related allowance	1,966	471
Total impaired loans	\$ 7,793	\$ 918
Allowance on impaired loans	\$ 1,807	\$ 126

The following table summarizes impaired loan information for the quarter ended June 30, 2008.

	June 30	
	2008	2007
Average impaired loans	\$ 7,671	\$ 853
Interest income recognized on impaired loans	\$ 14	\$ 70

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at June 30, 2008.

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

AgriLand, Farm Credit Services, the parent company, and the wholly owned PCA subsidiary, AgriLand, PCA, are subject to federal income tax. The long-term mortgage lending activity conducted by AgriLand, FLCA, the wholly owned FLCA subsidiary, is exempt from federal income tax.

The Association's adoption of FIN 48 on January 1, 2007 has not created a liability for unrecognized tax benefits.

NOTE 5: EMPLOYEE BENEFIT PLANS

The following table summarizes the components of the net periodic benefit costs as of June 30:

	June 30	June 30
	2008	2007
Service cost	\$ 10	\$ 20
Interest cost	49	54
Amortization of:		
Unrecognized prior service costs	(64)	(67)
Unrecognized net (gain) loss	1	9
Net periodic benefit cost	\$ (4)	\$ 15

As discussed in the 2007 Annual Report, the District discontinued the multi-employer approach to provide health and welfare benefits and the Association adopted a new plan to provide the same benefits to its retirees, employees and directors. Under the new plan, the Association recorded an unfunded accumulated benefit obligation for its retirees and employees. The balance of this liability as of June 30, 2008 was \$1,563.

NOTE 6: FINANCIAL INSTRUMENTS OF OFF-BALANCE-SHEET RISK

The Association is a party to financial instruments with off-balance-sheet risk originating in the normal course of business to meet the financing needs of its customers. The Association's financial instruments with off-balance-sheet risk are in the form of commitments to extend credit to borrowers.

The Association's exposure to credit loss in the event of nonperformance by the borrowers for commitments to extend credit is represented by the contractual amount of these commitments. The Association uses the same credit policies in making these commitments as it does for loans that are represented on the balance sheet.

Financial instruments that contract amounts represent credit risk:
 Commitments to extend credit: \$43,848



**AGRILAND, FARM CREDIT SERVICES
OFFICE LOCATIONS**

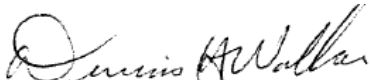
ADMINISTRATIVE OFFICE (903) 593-0151	3210 W.N.W. Loop 323 Tyler, Texas 75712
TYLER BRANCH OFFICE (903) 593-0151	3210 W.N.W. Loop 323 Tyler, Texas 75712
ATHENS BRANCH OFFICE (903) 675-9388	520 East Tyler Athens, Texas 75751
NACOGDOCHES BRANCH OFFICE (936) 564-0448	2200 NW Stallings Drive Nacogdoches, Texas 75963
SULPHUR SPRINGS BRANCH OFFICE (903) 885-7608	1305 Shannon Road Sulphur Springs, Texas 75482
BEAUMONT BRANCH OFFICE (409) 861-1900	1630 North Major Dr., Suite A Beaumont, Texas 77713
FAIRFIELD BRACH OFFICE (254) 389-8738	Hwy 84 Fairfield, Texas 75840
PARIS BRANCH OFFICE (903) 784-4383	3743 Lamar Avenue Paris, Texas 75460
BONHAM BRANCH OFFICE (903) 583-3217	112 E. Hwy 82 Bonham, Texas 75418
GAINESVILLE BRANCH OFFICE (940) 665-0715	206 S. Dixon Gainesville, Texas 76240
CLARKSVILLE BRANCH OFFICE (903) 427-5675	401 N. Locust Clarksville, Texas 75426
KINGWOOD BRANCH OFFICE (281) 687-0364	

CERTIFICATION OF MANAGEMENT

The financial statements of the AgriLand, Farm Credit Services are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with generally accepted accounting principles and appropriate in the circumstances, except as noted. Other financial information included in the quarterly report is consistent with that in the financial statements.

To meet its responsibility for reliable information, management depends on the AgriLand, FCS accounting and internal control systems that have been designed to provide reasonable, but not absolute assurance what assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Association is examined by the Farm Credit Administration and by an independent outside auditor.

We hereby certify that, to the best of our knowledge, this report to stockholders has been prepared in accordance with all applicable and lawful regulations and instructions and is a true and accurate representation of AgriLand, FCS's financial condition for the quarter ending June 30, 2008.



Dennis Walker,
Chairman, Board of Directors

July 30, 2008

Date



Roger Brist,
Chief Executive Officer

July 30, 2008

Date