



Third Quarter 2008
Financial Report to Stockholders

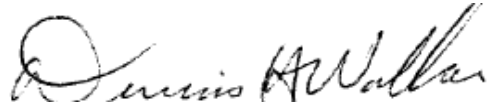


REPORT OF MANAGEMENT

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
October 24, 2008



Dennis Walker, Chairman, Board of Directors
October 24, 2008



Joe Valladares, Vice President of Finance
October 24, 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 quarter and nine months ended September 30, 2008. These comments should be read in conjunction with the accompanying financial statements and the December 31, 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 has experienced a strong start to 2008 with accrual loan growth of 10.5% for the first nine months. The high growth rate is projected to decrease as the national economy continues a state of instability reducing consumer confidence of financial institutions. The Association does not anticipate these national events to significantly impact long term business objectives as the Farm Credit System remains profitable and well capitalized. Interest income is lower than projected due to the combination of compressed margins and increased cost of funding for certain products. Increases in nonaccrual volume and lost income generated from this increase have also affected earnings from interest income.

During the third quarter 2007, the Association identified two participation loans to one entity that were transferred to nonaccrual due to significant operating losses experienced by the entity over the past 21 months. These loans have a combined balance of \$4,215 at September 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 third quarter of 2008 the reserves on both loans were adjusted and totaled \$887. The adjustment during the third 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 of proper repayment. This provision does not represent an overall increase in portfolio risk, but rather an isolated series of events.

Loan Portfolio:

Association loan volume was \$369,311 at September 30, 2008 as compared to \$337,401 at December 31, 2007. This represents a 9.5% increase from year-end. The Association experienced a 12.7% increase in loan volume when compared to September 30, 2007 when loan volume was \$327,705. 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 third quarter, the Association's nonaccrual portfolio decreased slightly as compared to year-end 2007. Past due loans greater than 90 days and still accruing decreased significantly due to a large entity pay-off in the second quarter of 2008. The following table illustrates the Association's components and trends of high-risk assets.

(unaudited)

<i>(dollars in thousands)</i>	September 30, 2008		December 31, 2007	
	Amount	%	Amount	%
Nonaccrual	\$ 7,471	95.5%	\$ 7,805	75.6%
90 past due and still accruing interest	281	3.6%	2,474	23.9%
Other property owned, net	67	0.9%	49	0.5%
Total	\$ 7,819	100.0%	\$ 10,328	100.0%

Results of Operations:

For the three-month period ended on September 30, 2008 the Association's net income was \$1,551 as compared to a net income of \$1,524 for the same three-month period in 2007. The increase in net income for the third quarter is due to a decrease in provision reserve adjustments of \$280 for the three-month period of 2008 as compared to 2007. Net interest income decreased by \$87 to \$2,411 as compared to 2007 which was \$2,498. This decrease in interest during the third quarter of 2008 is caused by an decrease in margins primarily due to Association lending practices to match competitive pricing. Margins are being closely monitored to prevent further deterioration to the Association's earnings.

The Association recorded \$190 in reserves and \$190 in charge-offs for the quarter ending September 30, 2008, \$35 in recoveries and \$122 in charge-offs for the same period in 2007. The Association's allowance for loan losses was 0.55 percent and 0.49 percent of total loans outstanding as of September 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)	
	September 30, 2008	September 30, 2007
Note payable to the Bank	\$ 330,608	\$ 303,721
Accrued interest on note payable	1,189	1,357
Total	\$ 331,797	\$ 305,078

Capital Resources:

Total equity increased \$3,122 from \$42,551 in December 31, 2007 to \$45,673 at September 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 11.0% for the three months ended September 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 11.1% for permanent capital, total surplus and core surplus were 10.5% and 10.3%, 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)

	September 30, 2008 (unaudited)	December 31, 2007	September 30, 2007 (unaudited)
<u>Assets</u>			
Cash.....	\$ 55	\$ 49	\$ 342
Loans.....	369,311	337,401	327,705
Less allowance for loan losses.....	(2,039)	(1,255)	(1,611)
Net loans.....	367,272	336,146	326,094
Accrued interest receivable.....	6,934	7,248	8,673
Investment in Farm Credit Bank			
Capital stock.....	6,405	6,406	6,406
Other.....	1,607	1,404	1,302
Deferred tax assets.....	579	501	558
Other property owned, net.....	67	49	-
Premises and equipment, net.....	941	957	964
Other assets.....	469	178	169
Total assets.....	\$ 384,329	\$ 352,938	\$ 344,508
<u>Liabilities</u>			
Note payable to the Farm Credit Bank.....	330,608	303,721	294,622
Advance conditional payments.....	2,686	809	2,862
Accrued interest payable.....	1,189	1,357	1,376
Drafts outstanding.....	1,045	1,014	331
Patronage distributions payable.....	463	714	14
Other liabilities.....	2,665	2,772	3,155
Total liabilities.....	\$ 338,656	\$ 310,387	\$ 302,360
<u>Members' Equity</u>			
At-risk members' equity:			
Preferred stock.....	\$ 2,754	2,754	3,170
Capital stock and participation certificates.....	2,318	2,201	2,183
Allocated retained earnings.....	12,973	11,683	7,263
Unallocated retained earnings.....	27,437	25,625	29,532
Accumulated Other Comprehensive.....	191	288	0
Total members' equity.....	45,673	42,551	42,148
Total liabilities and members' equity.....	\$ 384,329	\$ 352,938	\$ 344,508

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 September 30		For the nine months ended September 30	
	2008	2007	2008	2007
<u>Interest Income</u>				
Loans.....	\$ 5,964	\$ 6,635	\$ 18,061	\$ 20,072
Other.....	6	8	20	32
Total interest income.....	<u>5,970</u>	<u>6,643</u>	<u>18,081</u>	<u>20,104</u>
<u>Interest Expense</u>				
Note payable to Farm Credit Bank of Texas.....	3,559	4,145	10,865	12,412
Net interest income.....	<u>2,411</u>	<u>2,498</u>	<u>7,216</u>	<u>7,692</u>
<u>Provision for Losses</u>				
(Reversal) provision for loan losses.....	(8)	272	997	1,879
Net interest income after provision for losses...	<u>2,419</u>	<u>2,226</u>	<u>6,219</u>	<u>5,813</u>
<u>Noninterest Income</u>				
Income from the Bank:				
Patronage income.....	361	407	1,098	1,218
Loan fees.....	205	154	673	438
Fees for financial related services.....	2	2	10	25
Gains on sales of other property owned.....	-	-	-	20
Other operating income.....	8	9	27	31
Total noninterest income.....	<u>576</u>	<u>572</u>	<u>1,808</u>	<u>1,732</u>
<u>Noninterest expense</u>				
Salaries and employee benefits.....	910	774	2,662	2,319
Directors' expense.....	33	32	131	116
Purchased services.....	99	141	320	370
Travel.....	48	55	130	152
Occupancy and equipment.....	68	60	194	177
Communications.....	24	22	80	61
Advertising.....	42	38	117	111
Public and member relations.....	25	31	123	132
Supervisory and exam expense.....	49	46	152	134
FCSIC insurance expense.....	120	116	374	355
Losses on sales of other property owned.....	2	-	10	(1)
Other operating expenses.....	72	64	239	196
Total noninterest expense.....	<u>1,492</u>	<u>1,379</u>	<u>4,532</u>	<u>4,122</u>
Income before taxes.....	<u>1,503</u>	<u>1,419</u>	<u>3,495</u>	<u>3,423</u>
Benefit from income taxes.....	(48)	(105)	(78)	(72)
Net income.....	<u>\$ 1,551</u>	<u>\$ 1,524</u>	<u>\$ 3,573</u>	<u>\$ 3,495</u>

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)

(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	\$ -	\$ 38,629
Net Income.....	-	-	-	-	-	3,498
Capital stock/participation certificates issued..	-	-	433	-	-	433
Capital stock/participation certificates retired..	-	19	(423)	-	-	(404)
Patronage distribution						
Allocated.....	-	-	-	3,412	-	-
Distribution adjustment.....	-	-	-	(54)	-	(8)
Balance at September 30, 2007.....	<u>\$ -</u>	<u>\$ 3,170</u>	<u>\$ 2,183</u>	<u>\$ 7,263</u>	<u>\$ -</u>	<u>\$ 42,148</u>
Balance at December 31, 2007.....	\$ 2,754	\$ 2,201	\$ 11,683	\$ 25,625	\$ 288	\$ 42,551
Net Income.....	-	-	-	3,573	-	3,573
Comprehensive income:						
Prior service credits (costs)	-	-	-	-	(96)	(96)
Actuarial gains (losses)	-	-	-	-	1	1
Other comprehensive income.....	-	-	-	-	(95)	(95)
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	-	-	-	-	30	30
Amortization of prior service credits for Oct. 1-Dec. 31, net of tax	-	-	-	-	(32)	(32)
Additional net loss, Oct. 1-Dec. 31, net tax	-	-	-	-	-	-
Net effects of accounting change.....	-	-	-	-	(2)	(2)
Capital stock/participation certificates issued..	-	529	-	-	-	529
Capital stock/participation certificates retired..	-	(412)	-	-	-	(412)
Patronage distribution						
Cash.....	-	-	-	(449)	-	(449)
Allocated.....	-	-	2,522	(2,522)	-	-
Distribution adjustment.....	-	-	(1,232)	1,210	-	(22)
Balance at September 30, 2008.....	<u>\$ 2,754</u>	<u>\$ 2,318</u>	<u>\$ 12,973</u>	<u>\$ 27,437</u>	<u>\$ 191</u>	<u>\$ 45,673</u>

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 September 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:

	September 30,	
	2008	2007
Balance beginning of quarter	\$ 2,046	\$ 1,426
Provisions for loan losses	(8)	272
Charge-Offs	(190)	(122)
Recoveries	190	35
Balance at end of quarter	\$ 2,039	\$ 1,611

The following table presents information concerning impaired loans.

	September 30,	
	2008	2007
Impaired loans with related allowance	\$ 5,336	\$ 2,868
Impaired loans with no related allowance	2,417	497
Total impaired loans	\$ 7,753	\$ 3,365
Allowance on impaired loans	\$ 1,523	\$ 1,463
Average impaired loans	\$ 6,909	\$ 1,401
Interest income recognized on impaired loans	\$ 102	\$ 57

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at September 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 September 30:

	September 30, September 30,	
	2008 2007	
Service cost	\$ 15	\$ 29
Interest cost	74	81
Expected return on plan assets	0	0
Unrecognized net transition obligation (asset)	0	0
Unrecognized net loss	1	13
Net periodic benefit cost	<u>\$ (6)</u>	<u>\$ 23</u>

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 September 30, 2008 was \$1,557.

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: \$38,704



**AGRILAND, FARM CREDIT SERVICES
OFFICE LOCATIONS**

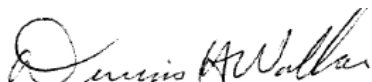
ADMINISTRATIVE OFFICE (903) 593-0151	3210 W.N.W. Loop 323 Tyler, Texas 75712
TYLER BRANCH OFFICE (903) 593-0151	3210 W.N.W. Loop 323 Tyler, Texas 75712
ATHENS BRANCH OFFICE (903) 675-9388	520 East Tyler Athens, Texas 75751
NACOGDOCHES BRANCH OFFICE (936) 564-0448	2200 NW Stallings Drive Nacogdoches, 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 BRANCH 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 September 30, 2008.



Dennis Walker,
Chairman, Board of Directors

October 24, 2008

Date



Roger Brist,
Chief Executive Officer

October 24, 2008

Date