ALABAMA AG CREDIT, ACA

2012
Quarterly Report
1st Quarter

For the Quarter Ended March 31, 2012

Part of the Farm Credit System

REPORT OF MANAGEMENT

The consolidated financial statements of Alabama Ag Credit, ACA (Association) are prepared by management, who are responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (Bank) and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The annual financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who conduct a review of internal controls solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The audit committee of the board of directors has oversight responsibility for the Association's system of internal controls and financial reporting. The audit committee consults regularly with management and meets periodically with the independent auditors and the internal auditor to review the scope and results of their work. The independent auditors and internal auditor have direct access to the audit committee.

The undersigned certify that, to the best of our knowledge and belief, the consolidated financial statements and other financial information included in this quarterly report reliably present the financial condition of Alabama Ag Credit, ACA and the results of its operations for the periods shown.

Douglas Thiessen, President/Chief Executive Officer
May 3, 2012

W. Thomas Dozier, III, Chairman, Board of Directors
May 3, 2012

M. Scott Sellers, CPA, Sr. VP/Chief Financial Officer
May 3, 2012

J.K. Love, CPA, Chairman, Audit Committee
May 3, 2012

ALABAMA AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of Alabama Ag Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended March 31, 2012. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2011 Annual Report of the Association.

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 thereunder.

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.

Results of Operations:

The Association had net income of $3,410,937 for the three months ended March 31, 2012, as compared to net income of $2,708,589 for the same period in 2011 reflecting an increase of 25.9 percent. Net interest income was $5,316,797 for the three months ended March 31, 2012, compared to $4,977,337 for the same period in 2011. Interest income for the first three months of 2012 increased by $38,461 or 0.5 percent from the first three months of 2011, primarily due to an increase in yields on earning assets and an increase in average loan volume. Interest expense for the first three months of 2012 decreased by $300,999, or 8.4 percent, from the same period of 2011 due to a decrease in interest rates, offset partially by an increase in average debt volume.

Noninterest income for the three months ended March 31, 2012 increased by $151,876, or 49.9 percent, over the same period of 2011. The increase is due primarily to increased loan fees that were collected during the first three months of 2012 as compared to the first three months of 2011. Net loan origination fees that were deferred in the first quarter of 2012 in conjunction with ASC310, decreased by $37,905, or 19.2 percent, over the same period of 2011 which also positively impacted noninterest income.

Noninterest expenses for the three months ended March 31, 2012 increased by $112,599, or 5.6 percent, as compared to the same period in 2011. The increase is primarily due to salary and employee benefits costs that increased for the first three months of 2012 compared to the first three months of 2011. The primary reason for the increase in these costs is from hiring three new employees. This was offset by a decrease in actuarially-determined, required contributions to the defined benefit (DB) retirement plan. For more information on the DB plan, refer to the 2011 Annual Report and Note 7, "Employee Benefit Plans," to the consolidated financial statements in this quarterly report. Losses on acquired property that were recorded in the first three months of 2012 also increased over the same period from 2011. During the first quarter of 2012 the Association sold eleven of its acquired properties as compared to only one sale during the same period of 2011. This increased sales activity is what generated the increased acquired property losses.

The Association's provision for loan loss was $244,789 for the quarter ending March 31, 2012 as compared to $568,400 for the same period in 2011. The decrease is due primarily to the Association being able to reduce allowance provisions related to the ethanol industry. While the ethanol industry remains volatile there have been recent favorable conditions that have allowed for reduced provisions for the three months ended March 31, 2012 as compared to the same period in 2011. The overall number of substandard and impaired loans in the first three months of 2012 compared to the first three months of 2011 has remained steady. The Association recorded no recoveries and $174,648 in charge-offs for the quarter ending March 31, 2012, and no recoveries and $255,234 in charge-offs for the same period in 2011. The Association's allowance for loan losses was 0.7 percent and 0.6 percent of total loans outstanding as of March 31, 2012, and 2011, respectively.

The Association's return on average assets for the three months ended March 31, 2012, was 1.97 percent compared to 1.63 percent for the same period in 2011. The Association's return on average equity for the three months ended March 31, 2012, was 11.12 percent, compared to 9.51 percent for the same period in 2011.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loans are available to eligible borrowers with competitive prime- and LIBOR-based, fixed and adjustable interest rates and loan maturities ranging up to 40 years. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with seasonal cash-flow capabilities of the borrower.

Total loans outstanding at March 31, 2012, stated at recorded investment (principal less funds held), were $681,454,103 compared to $677,171,345 at December 31, 2011, reflecting an increase of 0.6 percent. The major commodities within the Association's loan portfolio are timber, cattle, poultry and field crops.

The following table reflects the credit quality of the Association's loan volume as of:

	March 31, 2012	December 31, 2011
Acceptable	**94.5 %**	94.6 %
Special Mention	**2.0 %**	2.0 %
Substandard	**3.5 %**	3.4 %
Total	**100.0 %**	100.0 %

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.

	March 31, 2012		December 31, 2011	
	Amount	**%**	Amount	%
Nonaccrual	**$ 15,725,928**	**86.5%**	$ 15,128,482	80.0%
90 days past due and still accruing interest	**-**	**0.0%**	166,912	0.9%
Formally restructured	**1,379,226**	**7.6%**	1,383,191	7.3%
Other property owned, net	**1,073,160**	**5.9%**	2,236,022	11.8%
Total	**$ 18,178,314**	**100.0%**	$ 18,914,607	100.0%

At March 31, 2012 loans that were considered impaired were $17,105,154, compared to $16,678,585 at December 31, 2011. This represents 2.5 percent and 2.5 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net. Total nonaccrual loans as of March 31, 2012 increased compared to December 31, 2011 as economic deterioration resulted in the movement of a few loans to nonaccrual status, due to management's belief that the Association will not receive all principal and interest according to the original terms of the loans. However, almost the entire increase is attributable to two borrowers with large credits.

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. The following schedule summarizes the Association's borrowings.

	March 31, 2012	December 31, 2011
Note payable to the Bank	**$ 568,746,299**	$ 565,366,959
Accrued interest on note payable	**1,094,419**	1,165,118
Total	**$ 569,840,718**	$ 566,532,077

Capital Resources:

The Association's capital position increased by $3,432,271 at March 31, 2012, compared to December 31, 2011. The Association's debt as a ratio to members' equity was 4.61:1 as of March 31, 2012, compared to 4.74:1 as of December 31, 2011.

In December 2011, the board declared a $5,450,000 cash patronage to be paid to stockholders from the Association's 2011 earnings. The patronage distribution was completed in March 2012.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of seven percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at March 31, 2012, was 16.8 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, 2012, were 16.2 and 16.2 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

Information regarding significant recent accounting pronouncements, required to be disclosed, is incorporated herein by reference to Note 1 to the consolidated financial statements, "Organization and Significant Accounting Policies," included in this quarterly report.

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 Consolidated Financial Statements contained in the December 31, 2011 Annual Report of Alabama Ag Credit, ACA 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) 483-9204. 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 annual and quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Alabama Ag Credit, ACA, P.O. Box 241687, Montgomery, Alabama, 36124-1687, or by calling (334) 270-8687. Copies of the reports can also be requested by e-mailing *andra.wolf@AlabamaAgCredit.com*. The Association's quarterly stockholder reports are available on its web site at *www.AlabamaAgCredit.com* approximately 40 days after each quarter end, and the annual stockholder report is available on its web site 75 days after the fiscal year end. Copies of the annual stockholder report can also be requested 90 days after the fiscal year end.

ALABAMA AG CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash	**$ 22,248**	$ 10,555
Loans	**681,454,103**	677,171,345
Less: allowance for loan losses	**4,409,601**	4,339,460
Net loans	**677,044,502**	672,831,885
Accrued interest receivable	**6,647,023**	6,524,887
Investment in and receivable from the Bank:		
Capital stock	**11,215,710**	11,215,710
Accrued patronage receivable	**141,330**	158,585
Other	**342,235**	1,031,617
Other property owned, net	**1,073,160**	2,236,022
Premises and equipment	**2,603,440**	2,608,114
Other assets	**749,940**	246,911
Total assets	**$ 699,839,588**	$ 696,864,286
LIABILITIES		
Note payable to the Bank	**$ 568,746,299**	$ 565,366,959
Accrued interest payable	**1,094,419**	1,165,118
Drafts outstanding	**1,480,072**	343,399
Patronage distributions payable	**21,243**	5,450,032
Other liabilities	**3,691,967**	3,165,461
Total liabilities	**575,034,000**	575,490,969
MEMBERS' EQUITY		
Capital stock and participation certificates	**4,036,995**	4,010,440
Unallocated retained earnings	**120,894,748**	117,483,811
Accumulated other comprehensive income (loss)	**(126,155)**	(120,934)
Total members' equity	**124,805,588**	121,373,317
Total liabilities and members' equity	**$ 699,839,588**	$ 696,864,286

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended March 31, 2012	Quarter Ended March 31, 2011
INTEREST INCOME		
Loans	**$ 8,609,742**	$ 8,571,281
INTEREST EXPENSE		
Note payable to the Bank	**3,292,945**	3,593,944
Net interest income	**5,316,797**	4,977,337
PROVISION FOR LOSSES		
Provision for loan losses	**244,789**	568,400
Net income after provision for losses	**5,072,008**	4,408,937
NONINTEREST INCOME		
Patronage income from the Bank	**206,051**	208,845
Loan fees	**192,570**	49,421
Financially related services income	**899**	1,062
Gain on sale of premises and equipment, net	**11,947**	14,669
Other noninterest income	**44,865**	30,459
Total noninterest income	**456,332**	304,456
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,384,155**	1,315,632
Directors' expense	**103,195**	76,315
Purchased services	**93,425**	157,979
Travel	**85,800**	73,268
Occupancy and equipment	**105,575**	83,377
Communications	**29,785**	25,825
Advertising	**56,408**	39,368
Public and member relations	**50,161**	46,647
Supervisory and exam expense	**60,710**	59,025
Insurance Fund premiums	**167,837**	154,495
Other noninterest expense	**31,557**	32,416
Loss on other property owned, net	**50,607**	25,920
CMS expense reimbursements	**(101,812)**	(85,463)
Total noninterest expenses	**2,117,403**	2,004,804
NET INCOME	**3,410,937**	2,708,589
Other comprehensive income:		
Change in postretirement benefit plans	**(5,221)**	(6,994)
COMPREHENSIVE INCOME	**$ 3,405,716**	$ 2,701,595

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2010	$ 3,875,435	$ 109,810,440	$ (63,886)	$ 113,621,989
Net income	-	2,708,589	-	2,708,589
Other comprehensive income	-	-	(6,994)	(6,994)
Capital stock/participation certificates issued	117,225	-	-	117,225
Capital stock/participation certificates retired	(82,150)	-	-	(82,150)
Balance at March 31, 2011	$ 3,910,510	$ 112,519,029	$ (70,880)	$ 116,358,659
Balance at December 31, 2011	$ 4,010,440	$ 117,483,811	$ (120,934)	$ 121,373,317
Net income	-	3,410,937	-	3,410,937
Other comprehensive income	-	-	(5,221)	(5,221)
Capital stock/participation certificates issued	133,120	-	-	133,120
Capital stock/participation certificates retired	(106,565)	-	-	(106,565)
Balance at March 31, 2012	**$ 4,036,995**	**$ 120,894,748**	**$ (126,155)**	**$ 124,805,588**

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

ALABAMA AG CREDIT, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Alabama Ag Credit, 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 the counties of Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washington and Wilcox in the state of Alabama. 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 Farm Credit Bank of Texas (Bank) and its related associations (including the Association) are collectively referred to as the Tenth Farm Credit District (District). The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2011, the District consisted of the Bank, one Federal Land Credit Association (FLCA) and 16 ACA parent companies, which have two wholly-owned subsidiaries, an FLCA and a Production Credit Association (PCA), operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

A description of the Association's significant accounting policies and the financial condition and results of operations as of December 31, 2011 are contained in the 2011 Annual Report to the stockholders. These unaudited first quarter 2012 consolidated financial statements should be read in conjunction with the 2011 Annual Report to the stockholders.

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Balance Sheet – Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance will not impact financial condition or results of operations, but will result in additional disclosures.

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Compensation – Retirement Benefits – Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to a multiemployer pension plan, which should help financial statement users better understand the financial health of significant plans in which the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2012 for nonpublic entities. The amendments should be applied retrospectively for all prior periods presented. The adoption will not impact the Association's financial condition or results of operations.

In June 2011, the FASB issued guidance entitled "Comprehensive Income – Presentation of Comprehensive Income." This guidance is intended to increase the prominence of other comprehensive income in financial statements. The current option that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The main provisions of the guidance provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements:

- A single statement must present the components of net income and total amount of net income, the components of other comprehensive income and total amount of other comprehensive income, and a total amount for comprehensive income.

- In a two-statement approach, an entity must present the components of net income and total amount of net income in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total amount for other comprehensive income and a total amount for comprehensive income.

This guidance is applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income.

In December 2011, the FASB issued guidance to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the statement. All other requirements in the guidance for comprehensive income are required to be adopted as set forth in the June 2011 guidance. The deferral is effective at the same time the new standard on comprehensive income is adopted.

In May 2011, the FASB issued guidance entitled "Fair Value Measurement – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements, as more fully outlined in the 2011 Annual Report to Shareholders. The amendments are to be applied prospectively.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with 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 the Farm Credit Administration (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, 2012, are not necessarily indicative of the results to be expected for the year ended December 31, 2012. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**March 31, 2012 Amount**	December 31, 2011 Amount
Real estate mortgage	**$ 650,151,890**	$ 653,609,087
Production and intermediate term	**10,843,720**	5,982,962
Agribusiness:		
Loans to cooperatives	**2,054,453**	710,822
Processing and marketing	**8,816,090**	7,290,370
Farm-related business	**124,721**	73,924
Rural residential real estate	**9,463,229**	9,504,180
Total	**$ 681,454,103**	$ 677,171,345

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2012:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 6,132,498	$ 130,337,193	$ -	$ -	$ 6,132,498	$ 130,337,193
Agribusiness	$ 10,883,638	$ -	$ -	$ -	$ 10,883,638	$ -
Total	$ 17,016,136	$ 130,337,193	$ -	$ -	$ 17,016,136	$ 130,337,193

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	March 31, 2012	December 31, 2011
Nonaccrual loans:		
Real estate mortgage	**$ 15,589,256**	$ 14,988,438
Production and intermediate term	**16,507**	16,507
Agribusiness	**13,095**	13,095
Rural residential real estate	**107,070**	110,442
Total nonaccrual loans	**15,725,928**	15,128,482
Accruing restructured loans:		
Real estate mortgage	**1,379,226**	1,383,191
Total accruing restructured loans	**1,379,226**	1,383,191
Accruing loans 90 days or more past due:		
Real estate mortgage	**-**	166,912
Total accruing loans 90 days or more past due	**-**	166,912
Total nonperforming loans	**17,105,154**	16,678,585
Other property owned, net	**1,073,160**	2,236,022
Total nonperforming assets	**$ 18,178,314**	18,914,607

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2012	December 31, 2011
Real estate mortgage		
Acceptable	**94.5** %	94.7 %
OAEM	**2.1**	2.0
Substandard/doubtful	**3.4**	3.3
	100.0	100.0
Production and intermediate term		
Acceptable	**99.8**	99.7
OAEM	**-**	-
Substandard/doubtful	**0.2**	0.3
	100.0	100.0
Agribusiness		
Acceptable	**86.6**	81.4
OAEM	**-**	-
Substandard/doubtful	**13.4**	18.6
	100.0	100.0
Rural residential real estate		
Acceptable	**94.3**	94.5
OAEM	**1.6**	1.3
Substandard/doubtful	**4.1**	4.2
	100.0	100.0
Total loans		
Acceptable	**94.5**	**94.6**
OAEM	**2.0**	**2.0**
Substandard/doubtful	**3.5**	**3.4**
	100.0 %	**100.0** %

The following tables provide an age analysis of past due loans (including accrued interest) as of:

March 31, 2012	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 7,928,847**	**$ 4,636,800**	**$ 12,565,647**	**$ 644,064,310**	**656,629,957**	**$ -**
Production and intermediate term	**-**	**16,507**	**16,507**	**10,917,618**	**10,934,125**	**-**
Loans to cooperatives	**-**	**-**	**-**	**2,056,676**	**2,056,676**	**-**
Processing and marketing	**-**	**-**	**-**	**8,851,785**	**8,851,785**	**-**
Farm-related business	**-**	**-**	**-**	**125,211**	**125,211**	**-**
Rural residential real estate	**147,616**	**-**	**147,616**	**9,355,756**	**9,503,372**	**-**
Total	**$ 8,076,463**	**$ 4,653,307**	**$ 12,729,770**	**$ 675,371,356**	**$ 688,101,126**	**$ -**

December 31, 2011	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 4,708,716	$ 3,969,318	$ 8,678,034	$ 651,240,357	659,918,391	$ 166,912
Production and intermediate term	-	16,507	16,507	6,100,943	6,117,450	-
Loans to cooperatives	-	-	-	711,162	711,162	-
Processing and marketing	-	-	-	7,323,557	7,323,557	-
Farm-related business	-	-	-	74,299	74,299	-
Rural residential real estate	91,669	-	91,669	9,459,715	9,551,384	-
Total	$ 4,800,385	$ 3,985,825	$ 8,786,210	$ 674,910,033	$ 683,696,243	$ 166,912

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs and may also reflect a previous direct write-down of the investment.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of March 31, 2012, the total recorded investment of TDR loans was $2,113,810, including $734,584 classified as nonaccrual and $1,379,226 classified as accrual, with specific allowance for loan losses of $40,866. All loans classified as TDRs were individually evaluated to determine the need for allowance for loan losses. As of March 31, 2012 there are no commitments to lend funds to borrowers whose loan terms have been modified in a TDR.

During the quarter ended March 31, 2012, there were no additional loans which were modified in a TDR.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

The predominant form of concession granted for TDRs includes principal reductions and delayed payments. Other types of modifications include extension of the term, accrued interest reductions and interest rate decreases among others. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case we assess all of the modified terms to determine if the overall modification qualifies as a TDR.

The following table presents information regarding loans that met the accounting criteria as a TDR and that occurred from April 1, 2011 through March 31, 2012, and for which there was a payment default during that same period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Troubled debt restructurings that subsequently defaulted:		Recorded Investment
Real estate mortgage	$	469,946
Total	$	469,946

Additional impaired loan information is as follows:

	At March 31, 2012			At December 31, 2011		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 6,637,649**	**$ 8,504,526**	**$ 1,727,701**	$ 6,636,287	$ 8,411,528	$ 1,551,896
Farm-related business	**13,095**	**13,095**	**13,095**	13,095	13,095	13,095
Rural residential real estate	**-**	**-**	**-**	-	-	-
Total	**$ 6,650,744**	**$ 8,517,621**	**$ 1,740,796**	$ 6,649,382	$ 8,424,623	$ 1,564,991
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 10,330,833**	**$ 10,564,617**	**$ -**	$ 9,902,254	$ 10,132,232	$ -
Processing and marketing	**16,507**	**16,507**	**-**	16,507	16,507	-
Farm-related business	**-**	**-**	**-**	-	-	-
Rural residential real estate	**107,070**	**107,070**	**-**	110,442	110,442	-
Total	**$ 10,454,410**	**$ 10,688,194**	**$ -**	$ 10,029,203	$ 10,259,181	$ -
Total impaired loans:						
Real estate mortgage	**$ 16,968,482**	**$ 19,069,143**	**$ 1,727,701**	$ 16,538,541	$ 18,543,760	$ 1,551,896
Processing and marketing	**16,507**	**16,507**	**-**	16,507	16,507	-
Farm-related business	**13,095**	**13,095**	**13,095**	13,095	13,095	13,095
Rural residential real estate	**107,070**	**107,070**	**-**	110,442	110,442	-
Total	**$ 17,105,154**	**$ 19,205,815**	**$ 1,740,796**	$ 16,678,585	$ 18,683,804	$ 1,564,991

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Quarter Ended March 31, 2012		For the Year Ended December 31, 2011	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 6,529,490**	**$ 6,420**	$ 5,198,186	$ 62,745
Farm-related business	**13,095**	**-**	3,407	-
Rural residential real estate	**-**	**-**	3,768	455
Total	**$ 6,542,585**	**$ 6,420**	$ 5,205,361	$ 63,200
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 9,805,306**	**$ 16,956**	$ 7,890,170	$ 128,543
Processing and marketing	**16,507**	**-**	12,980	48
Farm-related business	**-**	**-**	10,536	-
Rural residential real estate	**108,596**	**-**	120,141	76
Total	**$ 9,930,409**	**$ 16,956**	$ 8,033,827	$ 128,667
Total impaired loans:				
Real estate mortgage	**$ 16,334,796**	**$ 23,376**	$ 13,088,356	$ 191,288
Processing and marketing	**16,507**	**-**	12,980	48
Farm-related business	**13,095**	**-**	13,943	-
Rural residential real estate	**108,596**	**-**	123,909	531
Total	**$ 16,472,994**	**$ 23,376**	$ 13,239,188	$ 191,867

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Rural Residential Real Estate	Total
Allowance for Credit Losses:					
Balance at December 31, 2011	**$ 3,761,142**	**$ 3,929**	**$ 531,252**	**$ 43,137**	**$ 4,339,460**
Charge-offs	**(174,648)**	**-**	**-**	**-**	**(174,648)**
Recoveries	**-**	**-**	**-**	**-**	**-**
Provision for loan losses	**219,569**	**656**	**40,627**	**(16,063)**	**244,789**
Balance at March 31, 2012	**$ 3,806,063**	**$ 4,585**	**$ 571,879**	**$ 27,074**	**$ 4,409,601**
Ending Balance at March 31, 2012:					
Individually evaluated for impairment	**$ 2,117,521**	**$ -**	**$ 13,095**	**$ 14,231**	**$ 2,144,847**
Collectively evaluated for impairment	**$ 1,688,542**	**$ 4,585**	**$ 558,784**	**$ 12,843**	**$ 2,264,754**
Balance at December 31, 2010	$ 2,633,042	$ 214	$ 950,397	$ 13,802	$ 3,597,455
Charge-offs	(246,902)	-	-	(8,332)	(255,234)
Recoveries	-	-	-	-	-
Provision for loan losses	534,505	49	(1,965)	35,811	568,400
Balance at March 31, 2011	$ 2,920,645	$ 263	$ 948,432	$ 41,281	$ 3,910,621
Ending Balance at March 31, 2011:					
Individually evaluated for impairment	$ 1,164,880	$ -	$ -	$ 29,853	$ 1,194,733
Collectively evaluated for impairment	$ 1,755,765	$ 263	$ 948,432	$ 11,428	$ 2,715,888
Recorded Investments in Loans Outstanding:					
Ending Balance at March 31, 2012	**$ 656,629,957**	**$ 10,934,125**	**$ 11,033,672**	**$ 9,503,372**	**$ 688,101,126**
Individually evaluated for impairment	**$ 22,068,521**	**$ 16,507**	**$ 1,477,991**	**$ 389,529**	**$ 23,952,548**
Collectively evaluated for impairment	**$ 634,561,436**	**$ 10,917,618**	**$ 9,555,681**	**$ 9,113,843**	**$ 664,148,578**
Ending Balance at March 31, 2011	$ 646,718,064	$ 2,839,612	$ 5,777,626	$ 9,412,945	$ 664,748,247
Individually evaluated for impairment	$ 28,710,941	$ 16,507	$ 1,593,904	$ 421,243	$ 30,742,595
Collectively evaluated for impairment	$ 618,007,123	$ 2,823,105	$ 4,183,722	$ 8,991,702	$ 634,005,652

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 portfolio; 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.

In December 2011, the board declared a $5,450,000 cash patronage to be paid to stockholders from the Association's 2011 earnings. The patronage distribution was completed in March 2012.

NOTE 4 — CAPITAL MARKETS:

Until the second quarter of 2007, the Association participated in the Capital Markets of the South (CMS), a joint venture created in 2003 for the purpose of expanding the participants' lending opportunities. The CMS group was comprised of the Association, Alabama Farm Credit, ACA, Mississippi Land Bank, ACA, Southern AgCredit, ACA, and the Louisiana Land Bank, ACA. During the second quarter of 2007, the CMS members decided to discontinue the joint venture. The Association will continue to service the existing CMS loan portfolio, with revenue and expenses continuing to be shared accordingly as noted below, until such time as all of the loans are fully matured or paid off.

Pursuant to the terms of the alliance, each of the five CMS participating associations generally share equally in the costs of operating the venture. All CMS noninterest expenses are recorded gross on the Association's books and then reimbursed 80 percent by the other four associations. The total amount of reimbursements is included on the statement of income in the line item entitled "CMS expense reimbursements." The Association's pro-rata share of income from CMS operations are recorded in the statement of income in their respective line items.

NOTE 5 — INCOME TAXES:

Alabama Ag Credit, ACA and its PCA subsidiary, Alabama Ag Credit, PCA, (Associations) 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, 2012, the Association did 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. The Association has recorded a full valuation allowance against its deferred tax asset as of March 31, 2012, based on management's estimate that it is more likely than not that the deferred tax asset will not be realized. For the three months ended March 31, 2012, the Association had no taxable income.

The FLCA subsidiary, Alabama Ag Credit, 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 14 to the 2011 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:

March 31, 2012	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets:				
Loans*	**$ -**	**$ -**	**$ 13,439,968**	**$ 13,439,968**
Other property owned	**-**	**-**	**1,125,794**	**1,125,794**

December 31, 2011	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans*	$ -	$ -	$ 11,441,516	$ 11,441,516
Other property owned	-	-	2,653,852	2,653,852

*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 14 to the 2011 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 Association's assets and liabilities. For a more complete description, see Notes to the 2011 Annual Report to Stockholders.

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.

By contrast, however, other property owned, net is reported in the accompanying balance sheet at the lower of the related loan's carrying amount (at acquisition) or the collateral's fair value less estimated costs to sell. As of March 31, 2012, other property owned, net is reported at $1,073,160 in the balance sheet.

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	
	2012	2011
Service cost	**$ 13,138**	$ 13,436
Interest cost	**22,480**	23,144
Expected return on plan assets	**-**	-
Amortization of prior service costs	**(7,952)**	(9,462)
Amortization of net actuarial (gain) loss	**2,731**	2,468
Net periodic benefit cost	**$ 30,397**	$ 29,586

The structure of the District's defined benefit pension plan is characterized as multi-employer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2011, that it expected to contribute $36,654 to the District's defined benefit pension plan in 2012. As of March 31, 2012, $9,794 of contributions have been made. The Association's liability for the plan's unfunded accumulated obligation at March 31, 2012 was $1,805,892 and is included in "Other Liabilities" in the balance sheet.

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2012	2011
Accumulated other comprehensive income (loss) at January 1	**$ (120,934)**	$ (63,886)
Amortization of prior service costs included in net periodic postretirement benefit cost	**(7,952)**	(9,462)
Amortization of actuarial (gain) loss included in net periodic postretirement benefit cost	**2,731**	2,468
Other comprehensive income (loss), net of tax	**(5,221)**	(6,994)
Accumulated other comprehensive income at March 31	**$ (126,155)**	$ (70,880)

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of management, there are no legal proceedings at this time that are likely to materially affect the Association.

NOTE 9 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 3, 2012, which is the date the financial statements were available to be issued, and determined that there are no subsequent events to report.