CAPITAL FARM CREDIT

PART OF THE FARM CREDIT SYSTEM

Quarterly Report
To Stockholders

Quarter Ended March 31, 2014

REPORT OF MANAGEMENT

The consolidated financial statements of Capital Farm Credit, ACA (the association) are prepared by management, who is 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' (FCB) 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 consolidated financial statements are examined by PricewaterhouseCoopers LLP, independent auditors, 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 consolidated 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 systems of internal control and financial reporting. The Audit Committee consults regularly with management and meets periodically with the independent auditors and the internal auditors to review the scope and results of their work. The independent auditors and internal auditors have direct access to the Audit Committee.

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

Ben R. Novosad

Ben R. Novosad,
Chief Executive Officer

Phillip Munden

Phillip Munden,
Chairman, Board of Directors

Don VandeVanter

Don VandeVanter,
Chief Financial Officer

May 5, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Dollars in thousands)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Capital Farm Credit, ACA including its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively referred to as the association) for the quarter ended March 31, 2014. These comments should be read in conjunction with the accompanying consolidated financial statements and the December 31, 2013 Annual Report of the association. Results for interim periods are not necessarily indicative of results to be expected for future periods.

Throughout 2013, the economy experienced a strong growth year with improvement in much of the economy. The general economic factors are showing slow growth in early 2014. The unusually harsh winter weather was a main contributor to the slow start. Growing conditions are off to a slow start as some areas are still experiencing stressed crops and pasture conditions due to the lack of rainfall and winter weather. Overall economic conditions throughout the association's territory continue to show some modest improvement, which has led to improved asset quality for the association.

Patronage Refunds by Association

The board of directors approved a $144,361 patronage distribution for 2013 for all patronage sourced earnings. At year end the association established an estimated cash patronage payable of $65,486 and $78,875 in nonqualified allocations. In March 2014 the association finalized the computation of these distributions which resulted in a reduction in cash patronage payable of $30 for an actual cash distribution of $65,456. In addition, nonqualified allocations were also adjusted by a reduction of $227 resulting in an actual allocation of $78,648. The owners of these nonqualified distributions do not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. While there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. In 2012, the board of directors approved a $138,334 patronage distribution for 2012. $42,133 of this distribution was paid in cash in March 2013. $96,201 of this distribution was made in the form of nonqualified allocated equity distributions.

In November 2013 the association evaluated its capital position and retired $42,663 in non-qualified allocated equities. These equities represented $8,732, $16,026, and $17,905 from those allocated in 2006, 2007 and 2008, respectively. In November 2012, as part of the evaluation of its capital position, the association retired $55,000 in non-qualified allocated equities. These equities represented $11,327, $20,694, and $22,979 from those allocated in 2006, 2007 and 2008, respectively.

Business Acquisition

Effective February 28, 2014 the association entered into an agreement to purchase a financially related services business for approximately $4.5 million, in order to enhance the related services it offers to its members. The accounting for this transaction is preliminary at March 31, 2014. The association will finalize the allocation of the purchase price to the acquired intangible and other assets during the second quarter.

Loan Portfolio:

Total loan volume was $5,430,363 at March 31, 2014. This compares with loan volume owned by the association at December 31, 2013 of $5,380,398. This represents an increase of $49,965, or approximately 0.9 percent. Most of this increase was realized in the real estate mortgage segment as more buyers return to the rural real estate market. The rest of the increase in loan volume is attributed to growth in the agribusiness and communication portfolios. Those increases were partially offset by a reduction in production loans. The association has increased its marketing efforts and implemented new loan programs in an effort to continue to grow its loan portfolio.

The quality of the association's loan portfolio improved slightly with a $223 decrease in high-risk assets since the previous year's end. The following table summarizes the association's components and trends of high-risk assets:

	March 31, 2014	**%**	December 31, 2013	%
Nonaccrual loans	**$ 63,569**	**78.7**	$ 60,622	74.9
Loans 90 days past due and still accruing interest	**3**	**-**	2,248	2.8
Formally restructured loans	**12,140**	**15.0**	12,659	15.6
Other property owned, net	**5,031**	**6.3**	5,437	6.7
Total	**$ 80,743**	**100.0**	$ 80,966	100.0

Nonaccrual loans increased $2,947 during the first three months of 2014. Most of this increase was recognized in the real estate mortgage sector, somewhat offset by a decrease in the agribusiness nonaccrual loans.

Loans that are 90 or more days past due and still accruing interest decreased $2,245 in the first three months of 2014. Loans that remain in this category are to customers that have a documented plan that details how and when the amount owed will be paid.

Formally restructured loans decreased $519 during the first three months of 2014 as a result of loan repayments. The association is cooperating with distressed borrowers to work through temporary repayment problems, where possible. These restructurings may include a modification of loan terms to accommodate the financial difficulties of the customer.

Other property owned decreased $406 during the first three months of 2014. The association is actively working with real estate professionals to ensure properties are accurately valued on the association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with problem customers and industries through periods of adversity.

Results of Operations:

The association's net income for the three months ended March 31, 2014 was $33,681 as compared to $33,854 for the three months ended March 31, 2013, a decrease of $173, or 0.5 percent.

The decrease in net income was affected by a decrease in noninterest income and an increase in operating expense, offset by an improvement in net interest income and provision for loan losses. Net interest income increased by $1,420 during the first three months of 2014 compared to the same time period for 2013. An increase in average loan volume and higher average capital was the catalyst for the improvement in net interest income. Some of this improvement was offset by a decline in the association's net interest margin. In addition, provision for loan losses decreased by $1,966 during the first three months of 2014 compared to the same time period for 2013 due to improvements in the association's credit quality.

The effects of changes in average volume and interest rates on net interest income in the three months ended March 31, 2014, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the three months ended March 31, 2014		For the three months ended March 30, 2013	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 5,350,334**	**$ 66,454**	$ 5,071,539	$ 64,658
Interest-bearing liabilities	**4,485,686**	**20,687**	4,303,958	20,311
Impact of capital	**$ 864,648**		$ 767,581	
Net interest income		**$ 45,767**		$ 44,347

	Average Yield	Average Yield
Yield on loans	**5.04%**	5.17%
Cost of interest-bearing Liabilities	**1.87%**	1.91%
Net interest margin	**3.17%**	3.26%

	2014 vs. 2013		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 3,554**	**$ (1,758)**	**$ 1,796**
Interest expense	**(858)**	**(482)**	**376**
Net interest income	**$ 2,696**	**$ (1,276)**	**$ 1,420**

The association's noninterest income decreased from $5,086 in the first three months of 2013 to $4,776 in the first three months of 2014. The majority of this difference is the result of a decrease in fee income, as loan fees decreased $462 during the first three months of 2014 as compared to the same time period in 2013. As interest rates have stabilized, opportunities for rate conversions have declined. Therefore, loan fees from interest rate conversions have decreased.

Noninterest expenses increased $3,251 in the first three months of 2014 as compared to the same time period in 2013. This increase is primarily attributable to an increase of $1,942 in salary and employee benefits. There was an increase of 35 full-time employees as compared to the same time period in 2013, as the association hires staff in anticipation of pending retirements and in anticipation of future business growth. In addition, the association had an increase in the other expenses of $621 mainly due to the increases in amortization and depreciation related to software and hardware purchases that will help support the lending and training programs of the association. All other noninterest expenses increased $689 for the first three months of 2014 as the association implemented new technology and increased spending for advertising and public and member relations to continue to spur growth in its loan portfolio.

Liquidity and Funding Sources:

The interest rate risk inherent in the association's loan portfolio is substantially mitigated through the funding relationship with the FCB. The FCB manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the association is a direct loan from the FCB. The association had an outstanding balance of $4,528,368 at March 31, 2014, as compared to $4,466,210 at December 31, 2013. This increase in note payable to the FCB since December 2013 is the result of the increase in the association's loan portfolio. The direct loan carried a weighted average interest rate of 1.87 percent for the three months ended March 31, 2014, as well as for the year ended December 31, 2013. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the FCB and is governed by a financing agreement.

Under the Act, the association is obligated to borrow only from the FCB unless the FCB approves borrowing from other funding sources. The FCB and FCA regulations have established limitations on the association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At March 31, 2014 the association's note payable was within the specified limitations. The maximum amount the association could borrow from the FCB as of March 31, 2014, was $5,390,242, as defined by the general financing agreement. This borrowing limit changes as the borrowing base increases or decreases. In general the FCB funds 100 percent of all eligible acceptable and special mention loans and 75 percent of all eligible substandard loans.

The liquidity policy of the association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2014. As borrower payments are received they are applied to the association's note payable with the FCB.

The association will continue to fund its operations through direct borrowings from the FCB, retained earnings, member stock and funds held in trust. It is management's opinion that funds available to the association are sufficient to fund its operations for the next twelve months.

Capital Resources:

The association's capital position remains strong, with total capital of $986,007 at March 31, 2014. This represents an increase of $33,411 from the December 31, 2013 total capital level of $952,596. This increase in capital is a direct result of the association's net income for the period. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The association's permanent capital ratio at March 31, 2014 was 15.79 percent. The association's core surplus ratio and total surplus ratio at March 31, 2014 were 15.44 percent and 15.44 percent, respectively, which is in compliance with the FCA's minimum ratio requirements of 3.5 percent and 7.0 percent, respectively.

Relationship with the Farm Credit Bank of Texas:

The association's statutory obligation to borrow only from the FCB is described in the section "Liquidity and Funding Sources" of the Management's Discussion and Analysis, included in this quarterly report.

The FCB's role in mitigating the association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis," included in this quarterly report.

The FCB provides computer systems to support the critical operations of the association. The association also has operating systems and facility-based systems that are not supported by the FCB. The FCB also provides other services the association can utilize.

The association's financial condition may be impacted by factors that affect the FCB as discussed in Note 1 to the consolidated financial statements, "Organization and Significant Accounting Policies," included in this quarterly report. The financial condition and results of operations of the FCB may materially affect the stockholders' investment in the association.

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 78720-2590 or calling (512) 483-9204. Copies of the District's annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The District's annual and quarterly stockholder reports are also available on its Website 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 Capital Farm Credit, ACA, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the association's quarterly and annual stockholder reports are also available on its Website at *www.capitalfarmcredit.com* or can be requested by e-mailing *isela.morales@capitalfarmcredit.com*.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Loans	**$ 5,430,363**	$ 5,380,398
Less: Allowance for losses	**(18,899)**	(19,526)
Net loans	**5,411,464**	5,360,872
Cash	**49**	1,014
Accrued interest receivable - loans	**42,089**	44,023
Accrued interest receivable - investments	**190**	223
Investments – held-to-maturity	**12,772**	14,864
Investment in and receivable from the FCB:		
Capital stock	**87,900**	87,900
Receivable	**10,019**	11,516
Investments in other Farm Credit Institutions	**3,825**	3,221
Other property owned, net	**5,031**	5,437
Premises and equipment, net	**15,577**	14,928
Other assets	**15,951**	7,013
Total assets	**$ 5,604,867**	$ 5,551,011
LIABILITIES		
Note payable to the FCB	**$ 4,528,368**	$ 4,466,210
Advanced conditional payments	**8,395**	6,855
Accrued interest payable	**7,153**	7,085
Drafts outstanding	**-**	5,557
Patronage distributions payable	**9**	65,486
Unfunded post retirement medical obligation	**18,227**	18,030
Other liabilities	**56,708**	29,192
Total liabilities	**4,618,860**	4,598,415
MEMBERS' EQUITY		
Capital stock and participation certificates	**22,659**	22,651
Non-qualified allocated retained earnings	**376,407**	376,634
Unallocated retained earnings	**585,030**	551,319
Accumulated other comprehensive income	**1,911**	1,992
Total members' equity	**986,007**	952,596
Total liabilities and members' equity	**$ 5,604,867**	$ 5,551,011

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Dollars in thousands)
(UNAUDITED)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
INTEREST INCOME		
Loans	**$ 66,288**	$ 64,451
Investments	**166**	207
Total interest income	**66,454**	64,658
INTEREST EXPENSE		
Note payable to the FCB and others	**20,687**	20,311
Net interest income	**45,767**	44,347
PROVISION FOR LOAN LOSSES		
(Reversal of) provision for loan losses	**(575)**	1,391
Net interest income after provision for losses	**46,342**	42,956
NONINTEREST INCOME		
Patronage income from the FCB	**3,750**	3,604
Loan fees	**480**	942
Other income	**370**	567
Gain (loss) on other property owned, net	**176**	(27)
Total noninterest income	**4,776**	5,086
NONINTEREST EXPENSES		
Salaries and employee benefits	**9,415**	7,473
Farm Credit System insurance premium	**1,260**	1,024
Occupancy and equipment	**1,096**	1,016
Pension plan funding expense	**944**	1,144
Advertising	**781**	465
Public and member relations	**768**	569
Travel	**553**	553
Purchased services and allocations	**472**	453
FCA supervisory and exam expense	**306**	309
Communications	**283**	256
Directors' expense	**227**	213
Other expenses	**1,328**	707
Total noninterest expenses	**17,433**	14,182
Income before federal income tax	**33,685**	33,860
Federal income tax	**4**	6
NET INCOME	**$ 33,681**	$ 33,854
Other comprehensive loss:		
Change in postretirement benefit plans	**(81)**	(37)
Income tax expense related to items of other comprehensive income	**-**	-
Other comprehensive loss, net of tax	**(81)**	(37)
COMPREHENSIVE INCOME	**$ 33,600**	$ 33,817

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Retained Earnings Non-qualified Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2012	$ 22,145	$ 322,883	$ 568,362	$ (1,545)	$ 911,845
Net income	-	-	33,854	-	33,854
Other comprehensive loss	-	-	-	(37)	(37)
Capital stock/participation certificates issued	833	-	-	-	833
Capital stock/participation certificates/ allocated equities retired	(813)	-	-	-	(813)
Nonqualified allocations	-	-	-	-	-
Other adjustments	-	(88)	101	-	13
Balance at March 31, 2013	22,165	322,795	602,317	(1,582)	945,695
Net income	-	-	110,989	-	110,989
Other comprehensive gain	-	-	-	3,574	3,574
Capital stock/participation certificates issued	2,697	-	-	-	2,697
Capital stock/participation certificates/ allocated equities retired	(2,211)	(42,663)	-	-	(44,874)
Reclassification	-	17,525	(17,525)	-	-
Patronage distributions declared:					
Cash	-	-	(65,486)	-	(65,486)
Nonqualified allocations	-	78,875	(78,875)	-	-
Other adjustments	-	102	(101)	-	1
Balance at December 31, 2013	22,651	376,634	551,319	1,992	952,596
Net income	-	-	33,681	-	33,681
Other comprehensive loss	-	-	-	(81)	(81)
Capital stock/participation certificates issued	783	-	-	-	783
Capital stock/participation certificates/ allocated equities retired	(775)	-	-	-	(775)
Reclassification of nonqualified allocations		-	-		-
Other adjustments	-	(227)	30	-	(197)
Balance at March 31, 2014	**$ 22,659**	**$ 376,407**	**$ 585,030**	**$ 1,911**	**$ 986,007**

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

CAPITAL FARM CREDIT, ACA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively called the "association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders (farmers, ranchers, rural home owners and certain farm-related businesses) for qualified agricultural purposes in 192 counties in the state of Texas.

The association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act.)

A description of the organization and operations of the association, the significant accounting policies followed, and the financial condition and results of operations as of December 31, 2013 are contained in the 2013 Annual Report to Stockholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2013 as contained in the 2013 Annual Report to Stockholders.

The Farm Credit Bank of Texas (FCB) and its related associations are collectively referred to as the "District." The association's financial condition may be affected by factors that affect the FCB. The financial condition and results of operations of the FCB may materially affect stockholders' investment in the association. Upon request, stockholders of the association will be provided the Tenth Farm Credit District's Annual Report to Stockholders, which includes the combined financial statements of the FCB and all of the District associations. The District's annual report discusses the material aspects of the financial condition, changes in financial condition, and results of operations for the FCB and the District. In addition, the District's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Farm Credit System Insurance Corporation.

In the opinion of management, the unaudited financial information is complete and reflects, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2014. Descriptions of the significant accounting policies are included in the 2013 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In February 2013, the FASB issued guidance entitled, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The guidance requires entities to present, either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012 and for non-public entities for annual periods beginning after December 15, 2013. The association implemented this guidance effective with its 2013 annual report, and the adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures.

Certain amounts in the prior period's financial statements have been reclassified to conform to the current period's financial statement presentation.

NOTE 2 — INVESTMENTS:

Investments Held-to-Maturity

The association's held-to-maturity investment consists of Farmer Mac guaranteed agricultural mortgage-backed securities (AMBS). A summary of the amortized cost and fair value of investment securities held-to-maturity is as follows:

March 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 12,772	$ 130	$ -	$ 12,902	4.95%	3.48

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 14,864	$ 27	$ -	$ 14,891	4.77%	3.52

The Farmer Mac AMBS were received in exchange for mortgage loans which were previously covered under the long-term standby commitment to purchase agreement with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transactions. The association continues to service the loans included in the transaction.

NOTE 3 — BUSINESS ACQUISITION:

Effective February 28, 2014 the association entered into an agreement to purchase a financially related services business for approximately $4.5 million, in order to enhance the related services it offers to its members. The accounting for this transaction is preliminary at March 31, 2014. The association will finalize the allocation of the purchase price to the acquired intangible and other assets during the second quarter.

NOTE 4 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry	March 31, 2014	%	December 31, 2013	%
Production agriculture:				
Real estate mortgage	**$ 4,310,649**	**79.3**	$ 4,279,805	79.5
Production and term	**510,224**	**9.4**	530,522	9.9
Agribusiness	**390,671**	**7.2**	373,129	6.9
Rural residential real estate	**102,685**	**1.9**	99,753	1.9
Energy	**48,415**	**0.9**	42,998	0.8
Communication	**48,750**	**0.9**	34,911	0.6
Mission related investments	**11,559**	**0.2**	11,617	0.2
Lease receivables	**4,170**	**0.1**	4,092	0.1
Water and waste disposal	**3,240**	**0.1**	3,571	0.1
Total	**$ 5,430,363**	**100.0**	$ 5,380,398	100.0

At March 31, 2014, the association held seven transactions, which are reported as loans on the consolidated balance sheet totaling $9,634 and with $70 remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold as of March 31, 2014:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 109,634	$ 50,840	$ 2,706	$ -	$ 112,340	$ 50,840
Production and intermediate term	90,554	18,312	-	-	90,554	18,312
Agribusiness	279,406	25,406	3,580	-	282,986	25,406
Communication	48,750	-	-	-	48,750	-
Energy	48,415	-	-	-	48,415	-
Water and waste disposal	3,240	-	-	-	3,240	-
Lease receivables	4,170	-	-	-	4,170	-
Mission related investments	5,216	-	4,418	-	9,634	-
Total	$ 589,385	$ 94,558	$ 10,704	$ -	$ 600,089	$ 94,558

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

	March 31, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	**$ 46,856**	$ 42,188
Production and intermediate-term	**11,012**	10,677
Agribusiness	**5,229**	7,272
Residential Real Estate	**429**	437
Lease receivable	**43**	48
Total nonaccrual loans	**$ 63,569**	$ 60,622
Accruing restructured loans:		
Real estate mortgage	**$ 7,317**	$ 7,932
Production and intermediate-term	**2,436**	2,471
Mission related investments	**2,390**	2,355
Residential real estate	**91**	-
Total accruing restructured loans	**$ 12,234**	$ 12,758
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ -**	$ 399
Production and intermediate-term	**3**	1,902
Total accruing loans 90 days or more past due	**$ 3**	$ 2,301
Total nonperforming loans	**$ 75,806**	$ 75,681
Other property owned	**5,031**	5,437
Total nonperforming assets	**$ 80,837**	$ 81,118

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 classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2014	December 31, 2013
Real estate mortgage		
Acceptable	**97.0%**	97.0%
OAEM	**1.1%**	1.0%
Substandard/doubtful	**1.9%**	2.0%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	**93.0%**	92.3%
OAEM	**2.6%**	3.1%
Substandard/doubtful	**4.4%**	4.6%
	100.0%	100.0%
Agribusiness		
Acceptable	**95.1%**	92.9%
OAEM	**2.2%**	3.0%
Substandard/doubtful	**2.7%**	4.1%
	100.0%	100.0%
Energy		
Acceptable	**95.4%**	89.4%
OAEM	**-**	-
Substandard/doubtful	**4.6%**	10.6%
	100.0%	100.0%
Water and waste disposal		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Communication		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Rural residential real estate		
Acceptable	**97.2%**	97.4%
OAEM	**1.8%**	1.5%
Substandard/doubtful	**1.0%**	1.1%
	100.0%	100.0%
Lease receivables		
Acceptable	**92.9%**	92.3%
OAEM	**5.9%**	6.3%
Substandard/doubtful	**1.2%**	1.4%
	100.0%	100.0%
Mission related investments		
Acceptable	**97.1%**	97.1%
OAEM	**-**	-
Substandard/doubtful	**2.9%**	2.9%
	100.0%	100.0%
Total Loans		
Acceptable	**96.5%**	96.2%
OAEM	**1.3%**	1.3%
Substandard/doubtful	**2.2%**	2.5%
	100.0%	100.0%

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

March 31, 2014	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	Loans > 90 Days and Accruing
Real estate mortgage	$ 21,071	$22,476	$ 43,547	$ 4,283,322	4,326,869	$ -
Production and intermediate term	8,602	1,716	10,318	507,668	517,986	3
Agribusiness	40	2,397	2,437	390,174	392,611	-
Communication	-	-	-	48,809	48,809	-
Energy	-	-	-	48,550	48,550	-
Water and waste disposal	-	-	-	3,248	3,248	-
Rural residential real estate	1,452	55	1,507	116,877	118,384	-
Lease receivables	-	-	-	4,249	4,249	-
Mission related investments	-	-	-	11,746	11,746	-
Total	$ 31,165	$26,644	$ 57,809	$ 5,414,643	$5,472,452	$ 3

December 31, 2013	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	Loans > 90 Days and Accruing
Real estate mortgage	$ 19,401	$18,283	$ 37,684	$ 4,260,949	$4,298,633	$ 399
Production and intermediate term	7,067	3,998	11,065	526,797	537,862	1,902
Agribusiness	1,087	2,238	3,325	371,223	374,548	-
Communication	-	-	-	34,958	34,958	-
Energy	-	-	-	43,028	43,028	-
Water and waste disposal	-	-	-	3,573	3,573	-
Rural residential real estate	418	201	619	115,269	115,888	-
Lease receivables	-	-	-	4,187	4,187	-
Mission related investments	-	-	-	11,744	11,744	-
Total	$ 27,973	$24,720	$ 52,693	$ 5,371,728	$5,424,421	$ 2,301

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, 2014 the total troubled debt restructured loans was $15,055, including $2,821 classified as nonaccrual and $12,234 classified as accrual, with specific allowance for loan losses of $139. As of March 31, 2014 commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $72.

The following table presents additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation that occurred during the three months ended March 31, 2014.

For the three months ended March 31, 2014	Balance Pre-TDR Designation	Balance Post-TDR Designation
Troubled debt restructurings:		
Production and intermediate term	$ 10	$ 10
Rural residential real estate	94	91
Total	$ 104	$ 101

The association had no loans that met the accounting criteria as a troubled debt restructuring and that occurred the previous twelve months, 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.

Balance of Pre-TDR designation represents quarter-end loans just prior to restructuring and post-TDR represents the quarter-end loans immediately following the restructuring.

The association restructured two loans that met the definition of TDR during the quarter ended March 31, 2014. These loans were classified TDR due to an extension of terms.

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).

Additional impaired loan information is as follows:

	At March 31, 2014			At December 31, 2013		
	Loan Balance	Unpaid Principal Balance[a]	Related Specific Allowance	Loan Balance	Unpaid Principal Balance[a]	Related Specific Allowance
Impaired loans with a related allowance for loan losses:						
Real estate mortgage	$ 14,722	$ 20,291	$ 2,060	$ 14,719	$ 20,288	$ 2,042
Production and intermediate term	6,604	6,750	1,445	6,796	7,029	1,291
Agribusiness	1,674	3,374	236	4,069	7,096	1,047
Rural residential real estate	87	87	1	-	-	-
Lease receivables	-	-	-	-	-	-
Mission related investments	2,330	2,330	78	2,331	2,331	78
Total	$ 25,417	$ 32,832	$ 3,820	$ 27,915	$ 36,744	$ 4,458
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	$ 39,442	$ 40,808	$ -	$ 35,759	$ 37,060	$ -
Production and intermediate term	6,821	12,467	-	8,167	13,742	-
Agribusiness	3,555	21,721	-	3,202	21,142	-
Rural residential real estate	433	522	-	438	524	-
Lease receivables	43	43	-	48	48	-
Total	$ 50,294	$ 75,561	$ -	$ 47,614	$ 72,516	$ -
Total impaired loans:						
Real estate mortgage	$ 54,164	$ 61,099	$ 2,060	$ 50,478	$ 57,348	$ 2,042
Production and intermediate term	13,425	19,217	1,445	14,963	20,771	1,291
Agribusiness	5,229	25,095	236	7,271	28,238	1,047
Rural residential real estate	520	609	1	438	524	-
Lease receivables	43	43	-	48	48	-
Mission related investments	2,330	2,330	78	2,331	2,331	78
Total	$ 75,711	$ 108,393	$ 3,820	$ 75,529	$ 109,260	$ 4,458

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

	For the Three Months Ended March 31 2014		For the Year Ended December 31, 2013	
	Average Impaired Loans**	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Real estate mortgage	$ 14,705	$ -	$ 16,728	$ 8
Production and intermediate term	6,783	2	3,657	24
Agribusiness	2,565	-	10,703	-
Communication	-	-	225	-
Rural residential real estate	29	-	120	-
Lease receivables	-	-	-	-
Mission related investments	2,330	36	194	145
Total	$ 26,412	$ 38	$ 31,627	$ 177
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	$ 37,011	$ 289	$ 44,581	$ 1,460
Production and intermediate term	5,925	148	7,414	622
Agribusiness	3,319	20	5,316	187
Rural residential real estate	442	3	758	9
Lease receivables	45	-	54	-
Total	$ 46,742	$ 460	$ 58,123	$ 2,278
Total impaired loans:				
Real estate mortgage	$ 51,716	$ 289	$ 61,309	$ 1,468
Production and intermediate term	12,708	150	11,071	646
Agribusiness	5,884	20	16,019	187
Communication	-	-	225	-
Rural residential real estate	471	3	878	9
Lease receivables	45	-	54	-
Mission related investments	2,330	36	194	145
Total	$ 73,154	$ 498	$ 89,750	$ 2,455

**Average loans are not deemed to be changed for one day's activity.

A summary of changes in the allowance for loan losses and the ending balance including accrued interest of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and water/waste water	Rural Residential Real Estate	Lease Receivable	Mission Related Investments	Total
Allowance for loan losses:									
Balance at December 31, 2013	$ 9,284	$ 4,968	$ 4,326	$ 104	$ 502	$ 211	$ 26	$ 105	$ 19,526
Charge-offs	(69)	(59)	-	-	-	-	-	-	(128)
Recoveries	8	67	1	-	-	-	-	-	76
Provision for loan losses	1,216	892	(2,496)	(6)	(185)	5	2	(3)	(575)
Balance at March 31, 2014	$ 10,439	$ 5,868	$ 1,831	$ 98	$ 317	$ 216	$ 28	$ 102	$ 18,899
Allowance for loan losses: Ending Balance at March 31, 2014									
Individually evaluated for impairment	$ 2,060	$ 1,445	$ 236	$ -	$ -	$ 1	$ -	$ 78	$ 3,820
Allowance for loan losses: Collectively evaluated for impairment	$ 8,379	$ 4,423	$ 1,595	$ 98	$ 317	$ 215	$ 28	$ 24	$ 15,079
Balance at December 31, 2012	$ 11,120	$ 4,362	$ 15,170	$ 554	$ 410	$ 170	$ 7	$ 24	$ 31,817
Charge-offs	(149)	(11)	(4,987)	-	-	-	-	-	(5,147)
Recoveries	10	34	141	-	-	-	-	-	185
Provision for loan losses	(1,164)	(232)	2,749	(17)	13	31	-	11	1,391
Balance at March 31, 2013	$ 9,817	$ 4,153	$ 13,073	$ 537	$ 423	$ 201	$ 7	$ 35	$ 28,246
Allowance for loan losses: Ending Balance at December 31, 2013									
individually evaluated for impairment	$ 2,042	$ 1,291	$ 1,047	$ -	$ -	$ -	$ -	$ 78	$ 4,458
Allowance for loan losses: collectively evaluated for impairment	$ 7,242	$ 3,677	$ 3,279	$ 104	$ 502	$ 211	$ 26	$ 27	$ 15,068
Loans, including accrued interest:									
Ending Balance at March 31, 2014	$ 4,326,869	$ 517,986	$ 392,611	$ 48,809	$ 51,798	$ 118,384	$ 4,249	$ 11,746	$ 5,472,452
Ending balance for loans Individually evaluated for impairment	$ 54,164	$ 13,425	$ 5,229	$ -	$ -	$ 520	$ 43	$ 2,330	$ 75,711
Ending balance for loans Collectively evaluated for impairment	$ 4,272,705	$ 504,561	$ 387,382	$ 48,809	$ 51,798	$ 117,864	$ 4,206	$ 9,416	$ 5,396,741
Ending Balance at December 31, 2013	$ 4,298,633	$ 537,862	$ 374,548	$ 34,958	$ 46,601	$ 115,888	$ 4,187	$ 11,744	$ 5,424,421
Ending balance for loans individually evaluated for impairment	$ 50,478	$ 14,963	$ 7,271	$ -	$ -	$ 438	$ 48	$ 2,331	$ 75,529
Ending balance for loans collectively evaluated for impairment	$ 4,248,155	$ 522,899	$ 367,277	$ 34,958	$ 46,601	$ 115,450	$ 4,139	$ 9,413	$ 5,348,892

NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 14 "Fair Value Measurements" of the 2013 Annual Report to stockholders for a more complete description.

Assets held in nonqualified benefits trusts related to deferred compensation and supplemental retirement plans are classified as Level 1. Level 1 valuation utilizes quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The trust funds include investments that are actually traded and have quoted net assets values that are quoted in the marketplace. These assets are measured at fair value on a recurring basis and are summarized below:

	Total Fair Value March 31, 2014	Total Fair Value December 31, 2013
Beginning Balance	**$ 4,402**	**$ 2,937**
Transfers In	**217**	**828**
Other Market Changes	**228**	**637**
Assets held in non-qualified benefits trusts	**$ 4,847**	**$ 4,402**

Sensitivity to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

With regard to impaired loans and other property owned generally classified as Level 3 and evaluated for impairment, it is not practicable to provide specific information on inputs as each collateral property is unique. The association utilizes appraisals to value these loans and other property owned and take into account unobservable inputs such as, income and expense, comparable sales, replacement cost and comparability adjustments.

These assets are measured at fair value on a nonrecurring basis and are summarized below:

	Total Fair Value March 31, 2014	Total Fair Value December 31, 2013
Impaired Loans	**$ 21,597**	$ 23,457
Other property owned	**5,031**	5,437
Total	**$ 26,628**	$ 28,894

NOTE 6 — MEMBERS EQUITY:

The board of directors approved a $144,361 patronage distribution for 2013 for all patronage sourced earnings. At year end the association established an estimated cash patronage payable of $65,486 and $78,875 in nonqualified allocations. In March 2014 the association finalized the computation of these distributions which resulted in a reduction in cash patronage payable of $30 for an actual cash distribution of $65,456. In addition, nonqualified allocations were also adjusted by a reduction of $227 resulting in an actual allocation of $78,648. The owners of these nonqualified distributions do not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. While there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. In 2012, the board of directors approved a $138,334 patronage distribution for 2012. $42,133 of this distribution was paid in cash in March 2013. $96,201 of this distribution was made in the form of nonqualified allocated equity distributions.

In November 2013 the association evaluated its capital position and retired $42,663 in non-qualified allocated equities. These equities represented $8,732, $16,026, and $17,905 from those allocated in 2006, 2007 and 2008, respectively. In November 2012, as part of the evaluation of its capital position, the association retired $55,000 in non-qualified allocated equities. These equities represented $11,327, $20,694, and $22,979 from those allocated in 2006, 2007 and 2008, respectively.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The association expects to contribute $3,777 to its pension plan in 2014, which will be $797 less than the 2013 contribution. Pension plan funding expense was $944 and $1,144 for the three months ended March 31, 2014 and 2013 respectively.

NOTE 8 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through May 5, 2013 which is the date the financial statements were issued and there are no significant events requiring disclosure as of this date.