ALABAMA FARM CREDIT, ACA

2014
Quarterly Report
First Quarter

For the Quarter Ended March 31, 2014

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this report, that it has been 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 or her knowledge and belief.

K. Ben Gore, Chief Executive Officer/President
May 9, 2014

Loyd Rutherford, Chairman, Board of Directors
May 9, 2014

Karri H. Sumrall, Chief Financial Officer/Ex. Vice President
May 9, 2014

John R. Adams, CPA, Chairman, Audit Committee
May 9, 2014

ALABAMA FARM CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Alabama Farm Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended March 31, 2014. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2013 Annual Report to Stockholders.

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.

Significant Events:

In January 2014, the Association approved a resolution for a $6,275,367 patronage distribution to its stockholders. The distribution was paid in March 2014. The Association was able to return these funds to its members due to strong earnings over the past three years.

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 fixed, adjustable and indexed-based interest rates with loan maturities ranging up to 30 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, 2014, including nonaccrual loans and sales contracts, were $501,647,220 compared to $487,032,576 at December 31, 2013, reflecting an increase of 3.0 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.3 percent at March 31, 2014, compared to 0.4 percent at December 31, 2013.

	March 31, 2014	December 31,2013
Acceptable	**96.3%**	97.3%
Special Mention	**2.3%**	1.5%
Substandard	**1.4%**	1.2%
	100.0%	100.0%

The Association's largest commodity concentration in its loan portfolio continues to be poultry, which is approximately 49.4 percent. The slight determination in credit quality during the first quarter is primarily the result of isolated individual credits and management issues within this sector of the portfolio. The overall industry is presently stable to improving with markets both in the states and overseas showing signs of improvement. This improvement has resulted in more normal egg and chick placements. Several integrators are offering new grower contracts in order to meet their market demands, with egg and chick placements in Alabama increasing weekly. Prices for utilities, gas, electricity and water continued to put downward pressure on the growers' net income during the winter months in the first quarter. A temporary shortage of butane gas used by poultry growers caused an increase in butane costs and a delay of some bird placements during the first quarter. However, this shortage in butane has been short lived and costs and availability have returned to normal. Increased costs have been somewhat offset by previous and projected increases in grower contracts paid by all the major integrators within the Association's territory. Most all of the integrators have plans in place to expand their operations more during 2014. One integrator, Koch Foods, expanded their bird square footage on the eastern side of the Association's territory during 2013, with further plans of expanding in 2014. Layout times have returned to normal ranges and stocking densities have increased to normal numbers. Feed costs to the integrators should return to a more normal or reasonable level during 2014, due to projected lower costs for corn and soybeans. Poultry projections for 2014 are that the market will remain relatively stable to improving in the coming year. This is due primarily to the export markets improving along with higher prices for pork and beef causing more demand for less expensive poultry.

Overall land values have remained fairly stable or have seen a slight decline in some areas of the Association's territory (recreational and cut-over tracts) based on the current economic climate. The agricultural economy, in general for the area has remained stable to improving. Favorable weather conditions and favorable commodity prices have had a positive effect on the farm economy during the first quarter of 2014.

With a favorable lending package, we are prepared to experience steady growth in the years ahead. The probability of higher input costs, questions about future commodity supplies and prices the implications of the new Farm Bill, uncertainties of the export markets and unfolding world events increase the level of financial risk in the farming sector and, likewise, the level of credit risk to those financial institutions providing credit to that sector. Given the conditions outlined herein, the quality of the loan portfolio is expected to remain constant or slightly improve throughout 2014.

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, 2014		December 31, 2013	
	Amount	**%**	Amount	%
Nonaccrual	**$ 1,376,807**	**20.5%**	$ 1,901,977	27.9%
90 days past due and still accruing interest	**-**	**0.0%**	-	0.0%
Formally restructured	**1,685,210**	**25.1%**	1,913,965	28.1%
Other property owned, net	**3,659,898**	**54.5%**	2,998,355	44.0%
Total	**$ 6,721,915**	**100.1%**	$ 6,814,297	100.0%

High-risk assets decreased by $753,925 or 20.0 percent primarily due to the decrease in nonaccrual volume, primarily as a result of acquiring three properties totaling $943,294. During the first quarter of 2014, three acquired properties with a net carrying value of $281,751 have sold during the current year. Since December 31, 2013, the Association has moved one loan totaling $495,302 to nonaccrual status due to delinquency and cashflow issues. This loan is categorized as Agriculture Real Estate Mortgage. Nonaccrual loans as a percentage of total loans outstanding were 0.3 percent at March 31, 2014, compared to 0.4 percent at December 31, 2013. Management continues to be alert to portfolio trends and has attempted to identify and report problem loans as quickly as possible. Management strives to implement proactive steps and allocate resources to work with distressed borrowers to either work through temporary repayment problems or to orderly liquidate collateral to repay the loan when the borrower's operation is no longer viable. The Association, in the normal course of business, has participation loans with other Farm Credit associations and Farm Credit Banks. The Association holds interests in loans with geographic or industry related risks that have warranted risk rating reclassifications to nonaccrual status. Performance of these loans remains uncertain even though management constantly monitors these accounts.

Counterparty risk is continually monitored by management of the Association. The Association's primary counterparty risk comes from the poultry integrators to which its borrowers are associated. Because the Association's portfolio has approximately a 49.4 percent concentration in poultry, it mitigates its inherent risks with poultry and the integrators by heavy utilization of government guarantees. Also, the Association's lending territory has multiple integrators which would minimize the risk of counterparty failure or lack of performance. Management analyzes the financial position and performance of these integrators by regularly gathering updated financials and other reports that are made available to the public.

As disclosed in the Association's 2013 Annual Report, it is managements assertion that the allowance coverage is adequate based on historical losses, portfolio stress testing, risk analysis, mitigation of losses due to having first lien real estate with minimal to no price appreciation and having approximately $81.2 million or 17.6 percent of its portfolio government guaranteed. Management continuously monitors high-risk assets in an effort to reduce their impact on the Association and will continue to work with all of the Association's high-risk borrowers to receive full payment on the debt. Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural lender.

The Association recorded no recoveries and $59,074 in charge-offs for the quarter ended March 31, 2014, and no recoveries and $30,330 in charge-offs for the same period in 2013. The Association's allowance for loan losses was 0.5 percent and 0.6 percent of total loans outstanding as of March 31, 2014, and December 31, 2013, respectively.

Results of Operations:

The Association had net income of $3,112,462 for the three months ended March 31, 2014, as compared to net income of $2,568,865 for the same period in 2013, reflecting an increase of 21.2 percent. Net interest income was $4,284,398 for the three months ended March 31, 2014, compared to $3,972,825 for the same period in 2013, reflecting an increase of 7.8 percent. The increase is due to the favorable average interest rate charged by the Bank on the Association's note payable and an increase in the average balance of loans outstanding as of March 31, 2014, compared to the same period in 2013.

	March 31, 2014		March 31, 2013	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 492,978,903**	**$ 6,238,918**	$ 447,919,146	$ 5,839,599
Total interest-earning assets	**492,978,903**	**6,238,918**	447,919,146	5,839,599
Interest-bearing liabilities	**415,144,323**	**1,954,520**	374,725,037	1,866,774
Impact of capital	**$ 77,834,580**		$ 73,194,109	
Net interest income		**$ 4,284,398**		$ 3,972,825

	2014 Average Yield	2013 Average Yield
Yield on loans	**5.13%**	5.29%
Total yield on interest-earning assets	**5.13%**	5.29%
Cost of interest-bearing liabilities	**1.91%**	2.02%
Interest rate spread	**3.22%**	3.27%
Net interest income as a percentage of average earning assets	**3.52%**	3.60%

	March 31, 2014 vs. March 31, 2013		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 587,452**	**$ (188,133)**	**$ 399,319**
Interest expense	**201,361**	**(113,615)**	**87,746**
Net interest income	**$ 386,091**	**$ (74,518)**	**$ 311,573**

Interest income for the three months ended March 31, 2014, increased by $399,319 or 6.8 percent from the same period in 2013, primarily due to the increase in average loan volume, offset by a slight decrease in average yields. Interest expense for the three months ended March 31, 2014, increased by $87,746 or 4.7 percent from the same period of 2013, due primarily to an increase in average debt volume, offset by a slight decrease in interest rates. Average loan volume for the first quarter of 2014 was $492,978,903, compared to $447,919,146 in the first quarter of 2013. The average net interest rate spread on the loan portfolio for the first quarter of 2014 was 3.22 percent, compared to 3.27 percent in the first quarter of 2013.

Noninterest income for the three months ended March 31, 2014 was due primarily to recording a net gain on the disposal of acquired property when compared to a net loss during the same period in 2013.

Noninterest expenses for the three months ended March 31, 2014 decreased by $52,613 or 3.0 percent as compared to the same period in 2013. The decrease is due to decreases in salaries and employee benefits, advertising and net losses on other property owned. The decrease in salaries and employee benefits was due to the Association having two fewer employees, along with salary adjustments for 2014 compared to the same period in 2013. The decrease in advertising is due to timing of advertising costs and changes made to advertising venues compared to same period in 2013. The decrease in net losses on other property compared to 2013 is a result of the Association not recording any net losses on acquired property sales during the first quarter 2014. This decrease is offset slightly with increases in Farm Credit System Insurance Corporation (FCSIC) Insurance Fund premiums, occupancy and equipment and business insurance premiums. FCSIC increased its premium rate in January 2014 from the 2013 rate of ten percent to twelve percent. Increase in occupancy and equipment is the result of budgeted repairs and equipment purchases for 2014 that were not incurred during the first quarter of 2013. Business insurance premiums expense increased compared to the same period in 2013, due to timing and payment of the receipts from vendor invoices.

The Association's average return on average assets for the three months ended March 31, 2014, was 2.5 percent compared to 2.2 percent for the same period in 2013. The Association's average return on average equity for the three months ended March 31, 2014, was 14.6 percent, compared to 12.8 percent for the same period in 2013.

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 Systemwide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	March 31, 2014	December 31, 2013
Note payable to the bank	**$ 425,062,958**	$ 409,070,529
Accrued interest on note payable	**681,627**	663,449
Total	**$ 425,744,585**	$ 409,733,978

The Association operates under a general financing agreement (GFA) with the bank. The current GFA is effective through September 30, 2015. The primary source of liquidity and funding for the Association is a direct loan from the bank. The outstanding balance of $425,062,958 as of March 31, 2014, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.8 percent at March 31, 2014. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the bank and is governed by a general financing agreement. The increase in note payable to the bank and related accrued interest payable since December 31, 2013, is due primarily to the loan portfolio growth. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $77,279,867 at March 31, 2014. The maximum amount the Association may borrow from the bank as of March 31, 2014, was $504,997,481 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2015, unless sooner terminated by the bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

Capital Resources:

The Association's capital position increased by $3,143,645 at March 31, 2014, compared to December 31, 2013. The Association's debt as a percentage of members' equity was 4.95:1 as of March 31, 2014, compared to 4.96:1 as of December 31, 2013.

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 17.7 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, 2014, were 17.2 and 17.2 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In February 2013, the FASB issued guidance, "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 nonpublic entities for annual periods beginning after December 15, 2013. The Association has adopted this guidance, which did not impact the financial condition or results of operations, but resulted in additional disclosures which are included in Note 7 – Employee Benefit Plans.

Relationship With the Farm Credit Bank of Texas:

The Association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2013 Annual Report of Alabama Farm Credit, ACA more fully describe the Association's relationship with the bank.

The Texas Farm Credit District's (district) annual and quarterly stockholder reports, as well as those of the bank, 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 annual and quarterly stockholder reports for the bank and the district are also available on its website at *www.farmcreditbank.com.*

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Alabama Farm Credit, ACA, P.O. Box 639, Cullman, Alabama 35056 or calling (256) 737-7128. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *karri.sumrall@alabamafarmcredit.com* or can be obtained on its web site at *www.alabamafarmcredit.com* 40 days after quarter end. The Association's annual stockholder report is available on its Web site at *www.alabamafarmcredit.com* 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

ALABAMA FARM CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash	**$ 15,561**	$ 17,899
Loans	**501,647,220**	487,032,576
Less: allowance for loan losses	**2,695,505**	2,697,084
Net loans	**498,951,715**	484,335,492
Accrued interest receivable	**6,003,042**	4,762,024
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**7,734,035**	7,734,035
Other	**1,460,013**	436,848
Other property owned, net	**3,659,898**	2,998,355
Premises and equipment	**3,481,579**	3,549,737
Other assets	**1,014,038**	442,622
Total assets	**$ 522,319,881**	$ 504,277,012
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 425,062,958**	$ 409,070,529
Accrued interest payable	**681,627**	663,449
Drafts outstanding	**1,491,347**	798,535
Patronage distributions payable	**230**	6,275,551
Other liabilities	**7,361,754**	2,890,628
Total liabilities	**434,597,916**	419,698,692
MEMBERS' EQUITY		
Capital stock and participation certificates	**2,127,590**	2,088,100
Unallocated retained earnings	**85,691,963**	82,579,501
Accumulated other comprehensive income (loss)	**(97,588)**	(89,281)
Total members' equity	**87,721,965**	84,578,320
Total liabilities and members' equity	**$ 522,319,881**	$ 504,277,012

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

ALABAMA FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
INTEREST INCOME		
Loans	**$ 6,238,918**	$ 5,839,599
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**1,954,520**	1,866,774
Net interest income	**4,284,398**	3,972,825
PROVISION FOR LOAN LOSSES	**57,495**	56,004
Net interest income after provision for loan losses	**4,226,903**	3,916,821
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**341,904**	312,570
Loan fees	**35,709**	54,969
Financially related services income	**5,469**	5,297
Gain on other property owned, net	**129,252**	
Gain on sale of premises and equipment, net	**-**	9,496
Other noninterest income	**50,900**	-
Total noninterest income	**563,234**	**382,332**
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,022,338**	1,073,889
Directors' expense	**57,977**	62,305
Purchased services	**105,631**	103,852
Travel	**58,280**	69,942
Occupancy and equipment	**90,992**	70,602
Communications	**29,605**	28,167
Advertising	**40,278**	68,306
Public and member relations	**45,182**	40,622
Supervisory and exam expense	**34,553**	33,798
Insurance Fund premiums	**93,759**	71,304
Business Insurance	**63,831**	44,978
Loss on Other Property Owned, net	**-**	30,788
Other noninterest expense	**35,249**	31,735
Total noninterest expenses	**1,677,675**	1,730,288
Income before income taxes	**3,112,462**	2,568,865
Provision for (benefit from) income taxes	**-**	-
NET INCOME	**3,112,462**	2,568,865
Other comprehensive income:		
Change in postretirement benefit plans	**(8,307)**	(1,668)
Income tax expense related to items of other comprehensive income	**-**	-
Other comprehensive income, net of tax	**(8,307)**	(1,668)
COMPREHENSIVE INCOME	**$ 3,104,155**	$ 2,567,197

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

ALABAMA FARM CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2012	$ 2,670,725	$ 78,066,477	$ (355,772)	$ 80,381,430
Comprehensive income	-	2,568,865	(1,668)	2,567,197
Capital stock/participation certificates issued	126,355	-	-	126,355
Capital stock/participation certificates retired	(76,000)	-	-	(76,000)
Patronage refunds:				
Cash	-	-	-	-
Balance at March 31, 2013	$ 2,721,080	$ 80,635,342	$ (357,440)	$ 82,998,982
Balance at December 31, 2013	$ 2,088,100	$ 82,579,501	$ (89,281)	$ 84,578,320
Net income	-	3,112,462	-	3,112,462
Other comprehensive income	-	-	(8,307)	(8,307)
Comprehensive income	-	3,112,462	(8,307)	3,104,155
Capital stock/participation certificates issued	76,975	-	-	76,975
Capital stock/participation certificates retired	(37,485)	-	-	(37,485)
Balance at March 31, 2014	**$ 2,127,590**	**$ 85,691,963**	**$ (97,588)**	**$ 87,721,965**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Alabama Farm 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 Blount, Calhoun, Cherokee, Clay, Cleburne, Colbert, Cullman, DeKalb, Etowah, Fayette, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan, Randolph, Shelby, St. Clair, Talladega, Walker and Winston 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.

In the opinion of management, 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 (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements 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 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, "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 nonpublic entities for annual periods beginning after December 15, 2013. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures (See Note 7 – Employee Benefit Plans).

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, 2014, are not necessarily indicative of the results to be expected for the year ended December 31, 2014. 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, 2014 Amount	December 31, 2013 Amount
Production agriculture:		
Real estate mortgage	**$ 462,744,222**	$ 451,233,815
Production and intermediate term	**22,328,637**	21,692,856
Agribusiness:		
Processing and marketing	**6,327,606**	5,896,475
Farm-related business	**289,948**	303,038
Communication	**726,024**	-
Energy	**711,343**	-
Water and waste water	**323,985**	357,114
Rural residential real estate	**8,195,455**	7,550,278
Total	**$ 501,647,220**	$ 487,033,576

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 at 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	$ 1,588,458	$ -	$ -	$ -	$ 1,588,458	$ -
Production and intermediate term	2,628,328	-	-	-	2,628,328	-
Agribusiness	6,327,606	-	-	-	6,327,606	-
Communication	726,024	-	-	-	726,024	-
Energy	711,343	-	-	-	711,343	-
Water and waste water	323,985	-	-	-	323,985	-
Total	$ 12,305,744	$ -	$ -	$ -	$ 12,305,744	$ -

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $21,184,471and $16,119,612 at March 31, 2014, and December 31, 2013, respectively.

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	**$ 1,376,806**	$ 1,901,947
Total nonaccrual loans	**1,376,806**	1,901,947
Accruing restructured loans:		
Real estate mortgage	**1,685,210**	1,913,965
Total accruing restructured loans	**1,685,210**	1,913,965
Total nonperforming loans	**3,062,016**	3,815,912
Other property owned	**3,659,898**	2,998,355
Total nonperforming assets	**$ 6,721,914**	$ 6,814,267

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, 2014		December 31, 2013	
Real estate mortgage				
Acceptable	**96.1**	%	97.1	%
OAEM	**2.4**		1.6	
Substandard/doubtful	**1.5**		1.3	
	100.0		100.0	
Production and intermediate term				
Acceptable	**98.2**		99.1	
OAEM	**1.2**		0.9	
Substandard/doubtful	**0.6**		-	
	100.0		100.0	
Agribusiness				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Energy and water/waste water				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Communication				
Acceptable	**100.0**		-	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		-	
Rural residential real estate				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
	-		-	
Total loans				
Acceptable	**96.3**		97.3	
OAEM	**2.3**		1.5	
Substandard/doubtful	**1.4**		1.2	
	100.0	%	100.0	%

The following tables provide 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**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 1,687,837**	**$ 160,000**	**$ 1,847,837**	**$ 466,498,844**	**$ 468,346,681**	**$ -**
Production and intermediate term	**350,035**	**-**	**350,035**	**22,344,724**	**22,694,759**	**-**
Processing and marketing	**-**	**-**	**-**	**6,331,715**	**6,331,715**	**-**
Farm-related business	**-**	**-**	**-**	**293,208**	**293,208**	**-**
Communication	**-**	**-**	**-**	**726,379**	**726,379**	**-**
Energy	**-**	**-**	**-**	**712,080**	**712,080**	**-**
Water and waste water	**-**	**-**	**-**	**324,794**	**324,794**	**-**
Rural residential real estate	**-**	**-**	**-**	**8,220,646**	**8,220,646**	**-**
Total	**$ 2,037,872**	**$ 160,000**	**$ 2,197,872**	**$ 505,452,390**	**$ 507,650,262**	**$ -**

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	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 1,825,079	$ 1,154,779	$ 2,979,858	$ 452,690,747	$ 455,670,605	$ -
Production and intermediate term	-	-	-	21,996,111	21,996,111	-
Processing and marketing	-	-	-	5,899,977	5,899,977	-
Farm-related business	-	-	-	303,038	303,038	-
Water and waste water	-	-	-	357,292	357,292	-
Rural residential real estate	-	-	-	7,567,577	7,567,577	-
Total	$ 1,825,079	$ 1,154,779	$ 2,979,858	$ 488,814,742	$ 491,794,600	$ -

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 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 recorded investment (including interest) of troubled debt restructured loans was $1,685,210, which were all classified as accrual and none classified as nonaccrual. There were no troubled debt restructured loans that held a specific allowance for loan losses as of March 31, 2014. There were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring for the periods ended March 31, 2014 and December 31, 2013.

There were no troubled debt restructurings during the three months ended March 31, 2014. Loans formally restructured prior to January 1, 2014, were $1,685,210.

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). There were no charge-offs recorded at the modification date for the quarter ending March 31, 2014.

The predominant form of concession granted for troubled debt restructuring included the extension of terms due to cashflow constrictions preventing the borrower to fund the original payment due. 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 troubled debt restructuring.

The Association did not have any loans that met the accounting criteria as a troubled debt restructuring that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table at:

	Loans Modified as TDRs		TDRs in Nonacrual Status*	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Real estate mortgage	$ 1,685,210	$ 1,913,965	$ -	$ -

*represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	March 31, 2014			December 31, 2013		
	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	**$ 160,000**	**$ 607,297**	**$ 160,000**	$ 291,177	$ 305,972	$ 221,730
Total	**$ 160,000**	**$ 607,297**	**$ 160,000**	$ 291,177	$ 305,972	$ 221,730
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 2,902,016**	**$ 3,325,058**	**$ -**	$ 3,524,765	$ 3,956,831	$ -
Farm-related business	**-**	**13,096**	**-**	-	-	-
Total	**$ 2,902,016**	**$ 3,338,154**	**$ -**	$ 3,524,765	$ 3,956,831	$ -
Total impaired loans:						
Real estate mortgage	**$ 3,062,016**	**$ 3,932,355**	**$ 160,000**	$ 3,815,942	$ 4,262,803	$ 221,730
Farm-related business	**-**	**13,096**	**-**	-	-	-
Total	**$ 3,062,016**	**$ 3,945,451**	**$ 160,000**	$ 3,815,942	$ 4,262,803	$ 221,730

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

Additional impaired loan information is as follows:

	For the Quarter & Year Ended March 31, 2014		For the Quarter & Year Ended March 31, 2013	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 1,103,708**		$ 1,595,395	$ -
Processing and marketing	**391,380**	**-**	324,575	-
Farm-related business	**5,239**	**-**	13,096	-
Rural residential real estate	**-**	**-**	4,668	-
Total	**$ 1,500,327**	**$ -**	$ 1,937,734	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 3,771,513**	**$ 42,705**	$ 4,618,467	$ 54,287
Processing and marketing	**406,404**	**-**	288,998	-
Farm-related business	**2,448**	**-**	-	-
Rural residential real estate	**-**	**-**	9,525	-
Total	**$ 4,180,365**	**$ 42,705**	$ 4,916,990	$ 54,287
Total impaired loans:				
Real estate mortgage	**$ 4,875,221**	**$ 42,705**	$ 6,213,862	$ 54,287
Processing and marketing	**797,784**	**-**	613,573	-
Farm-related business	**7,687**	**-**	13,096	-
Rural residential real estate	**-**	**-**	14,193	-
Total	**$ 5,680,692**	**$ 42,705**	$ 6,854,724	$ 54,287

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	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2013	$ 2,657,650	$ 19,224	$ 12,497	$ -	$ -	$ -	$ 2,689,371
Charge-offs	(59,074)	-	-	-	-	-	(59,074)
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	(39,830)	(18,069)	(1,848)	174	116,440	628	57,495
Balance at March 31, 2014	$ 2,558,746	$ 1,155	$ 10,649	$ 174	$ 116,440	$ 628	$ 2,687,792
Ending Balance:							
Individually evaluated for impairment	$ 245,140	$ -	$ -	$ -	$ -	$ -	$ 245,140
Collectively evaluated for impairment	2,313,606	1,155	10,649	174	117,090	7,691	2,450,365
Balance at March 31, 2014	$ 2,558,746	$ 1,155	$ 10,649	$ 174	$ 117,090	$ 7,691	$ 2,695,505
Balance at December 31, 2012	$ 2,830,928	$ 22,138	$ 467,703	$ -	$ -	$ 5,395	$ 3,326,164
Charge-offs	-	-	-	-	-	-	-
Recoveries	(22,763)	-	-	-	-	(4,566)	(27,329)
Provision for loan losses	41,347	5,714	14	-	-	8,929	56,004
Balance at March 31, 2013	$ 2,849,512	$ 27,852	$ 467,717	$ -	$ -	$ 9,758	$ 3,354,839
Ending Balance:							
Individually evaluated for impairment	$ 1,094,744	$ -	$ 466,086	$ -	$ -	$ -	$ 1,560,830
Collectively evaluated for impairment	1,754,768	27,852	1,631	-	-	6,758	1,791,009
Balance at March 31, 2013	$ 2,849,512	$ 27,852	$ 467,717	$ -	$ -	$ 6,758	$ 3,351,839

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at March 31, 2014	$ 487,622,410	$ 1,914,425	$ 7,384,812	$ 1,469,066	$ 1,038,903	$ 8,220,646	$507,650,262
Individually evaluated for impairment	$ 3,062,016	$ -	$ -	$ -	$ -	$ -	$ 3,062,016
Collectively evaluated for impairment	$ 484,560,394	$ -	$ -	$ -	$ -	$ -	$484,560,394
Ending Balance at March 31, 2013	$ 431,517,976	$ 13,926,849	$ 4,652,621	$ -		$ 5,265,992	$455,363,438
Individually evaluated for impairment	$ 7,249,487	$ -	$ 1,451,158	$ -	$ -	$ -	$ 8,700,645
Collectively evaluated for impairment	$ 424,268,489	$ 13,926,849	$ 3,201,463	$ -	$ -	$ 5,265,992	$446,662,793
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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 patronage payments, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

March 31, 2014	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ (97,588)**	**$ -**	**$ (97,588)**
Total	**$ (97,588)**	**$ -**	**$ (97,588)**

March 31, 2013	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ (357,440)	$ -	$ (357,440)
Total	$ (357,440)	$ -	$ (357,440)

In January 2014, the Association approved a resolution for a $6,275,367 patronage distribution to its stockholders. The distribution was paid in March 2014. The Association was able to return these funds to its members due to strong earnings during 2013.

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 Ag Credit, ACA, Mississippi Land Bank, ACA, Southern Ag Credit, ACA, and Louisiana Land Bank, ACA. During the second quarter of 2007, the CMS members decided to discontinue and dissolve the joint venture. The associations 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 shares equally in the costs of operating the venture. The Association's pro-rata share of income from CMS operations is recorded in the statement of income in their respective line items. The Association's pro-rata share of expenses from CMS operations is recorded in the statement of income in the line item "Purchased services."

As of March 31, 2014 and December 31, 2013, the Association had CMS related loan volume outstanding in the amount of $160,000. The Association had no unfunded commitments on CMS loans as of March 31, 2014 and for the year ended December 31, 2013.

NOTE 5 — INCOME TAXES:

Alabama Farm Credit, ACA and its subsidiary 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, 2014, 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 had no taxable income for the three months ended March 31, 2014, and 2013.

The subsidiary, Alabama Farm Credit, FLCA, is exempt from federal and other income tax 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 14to the 2013 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

March 31, 2014	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 1,256**	**$ -**	**$ -**	**$ 1,256**
Total assets	**1,256**	**-**	**-**	**1,256**

December 31, 2013	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ -	$ -	$ -	$ -
Total assets	-	-	-	-

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

March 31, 2014	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ 1,216,807**	**$ 1,216,807**	**$ -**
Other property owned	**-**	**-**	**3,659,898**	**3,659,898**	**129,252**

December 31, 2013	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ 1,680,247	$ 1,680,247	$(508,211)
Other property owned	-	-	2,998,355	2,998,355	66,389

*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.

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. System institutions utilize 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.

Information About Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	**Input**
Cash	Carrying value	Actual balance

Valuation Techniques

As more fully discussed in Note 14 to the 2013 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 2013 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans were collateral-dependent. 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, a majority of these loans have fair value measurements that fall within Level 3 of the fair value 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. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31:

	Other Benefits	
	2014	2013
Service cost	**$ 7,930**	$ 9,198
Interest cost	**19,634**	18,861
Amortization of prior service (credits)	**(10,093)**	(10,093)
Amortization of net actuarial loss	**1,786**	8,425
Net periodic benefit cost	**$ 19,257**	$ 26,391

The Association's accumulated other comprehensive (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) and of actuarial loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2014	2013
Accumulated other comprehensive income (loss) at January 1	**$ (89,281)**	$(355,772)
Amortization of prior service (credit) included in salaries and employee benefits	**(10,093)**	(10,093)
Amortization of actuarial loss included in salaries and employee benefits	**1,786**	8,425
Other comprehensive income (loss), net of tax	**(8,307)**	(1,668)
Accumulated other comprehensive income at March 31	**$ (97,588)**	$ (357,440)

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2014, was $1,550,421 and is included in "Other Liabilities" in the balance sheet.

The Association also participates in the district's defined benefit pension plan which is characterized as multiemployer 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. In January 2014 the Association recorded its total defined benefit pension plan contribution amount of $626,946 to a prepaid account and has recognized $156,737 of expense through March 31, 2014.

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and 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 9, 2014, which is the date the financial statements were issued. There are no significant events requiring disclosure as of May 9, 2014.