Farm Credit of Northwest Florida, ACA

FIRST QUARTER 2009

TABLE OF CONTENTS

CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2009 quarterly report of Farm Credit of Northwest Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Ricky K. Bitner
Chief Executive Officer

Bruce C. Harrison
Chief Financial Officer

James G. Ditty
Chairman of the Board

April 24, 2009

Farm Credit of Northwest Florida, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2009. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of March 31, 2009 the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2009.

Ricky K. Bitner

Ricky Bitner
Chief Executive Officer

Bruce C. Harrison

Bruce C. Harrison
Chief Financial Officer

April 24, 2009

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Northwest Florida, ACA (Association) for the period ending March 31, 2009. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2008 Annual Report of the Association.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including forestry, row crops, livestock peanuts, horticulture, dairies and rural homes. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2009, was $483,292, a decrease of $11,229, as compared to $494,521 at December 31, 2008. Net loans outstanding (gross loans net of the allowance for loan losses) at March 31, 2009, were $479,572 as compared to $491,227 at December 31, 2008. Net loans accounted for 95.97 percent of total assets at March 31, 2009, as compared to 95.18 percent of total assets at December 31, 2008.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has deteriorated due to poor credit administration and a downturn in the overall economic environment. The Association has just under gone a thorough loan review completed by our federal regulator. Loans with any credit administration exceptions have been properly identified and recommended changes have been completed. The Association has made improvements to its underwriting, loan monitoring processes and procedures to strengthen risk identification.

Nonaccrual loans increased by $10,449 from $21,921 at 12/31/08**.** Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2009 was $3,720, as compared to $3,294 at December 31, 2008. The increase of $426 was due to an increase in the allowance of $1,065, a recovery of $380 and charge offs of $1,019. The allowance for loan loss of $3,720 at March 31, 2009 was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ending March 31, 2009

Net income for the three months ending March 31, 2009, totaled $1,277, as compared to $2,875 for the same period in 2008. For the three months ending March 31, 2009, net interest income decreased by $1,037 or 28.06 percent compared to the same period ending March 30, 2008. For the three months ending March 31, 2009 interest income on loans decreased by $2,358 and interest expense on notes payable decreased by $1,234 compared to the same period ending March 30, 2008. The changes in net interest income, interest income and interest expense were the result of interest rate reductions, a decrease in loan volume and an increase in non-accrual volume.

The Association recorded a provision for loan loss of $1,065 for the three months ending March 31, 2009 as compared to $583 for the three months ending March 30, 2008.

Noninterest income for the three months ending March 31, 2009, totaled $1,110, as compared to $1,196 for the same period of 2008, a decrease of $86. Noninterest expense for the three months ending March 31, 2009, increased $17 as compared to the same period of 2008. This increase was due to an increase in salaries and benefits of $15, an increase in Insurance Fund Premiums of $29 with a decrease in occupancy and equipment of $10 and a decrease in other operating expenses of $17.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2009, was $418,645 as compared to $435,228 at December 31, 2008.

CAPITAL RESOURCES

Total members' equity at March 31, 2009, increased to $76,037 from the December 31, 2008, total of $74,873. The increase is primarily attributed to net income of $1,277 for the three months ending March 31, 2009.

Total capital stock and participation certificates were $1,145 on March 31, 2009, compared to $1,247 on December 31, 2008. This decrease is attributed to capital stock and participation certificates issuances of $3 and retirements of $105.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2009, the Association's total surplus ratio and core surplus ratio were 13.16 percent and 12.63 percent, respectively, and the permanent capital ratio was 13.41 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

NOTE:
Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 378, or writing Stephen Gilbert, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 850-526-4910 ext. 103, or writing Bruce C. Harrison, Chief Financial Officer, Farm Credit of Northwest Florida, ACA, P.O. Box 7000, Marianna, Fl 32447, or accessing the website, *www.farmcredit-fl.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit fo Northwest Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2009 *(unaudited)*	December 31, 2008 *(audited)*
Assets		
Cash	$ 24	$ 537
Loans	483,292	494,521
Less: allowance for loan losses	3,720	3,294
Net loans	479,572	491,227
Accrued interest receivable	3,770	4,559
Investment in other Farm Credit institutions	10,124	10,257
Premises and equipment, net	1,526	1,564
Other property owned	1,355	1,355
Due from AgFirst Farm Credit Bank	1,047	4,243
Other assets	2,269	2,373
Total assets	$ 499,687	$ 516,115
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 418,645	$ 435,228
Accrued interest payable	1,553	1,638
Patronage refund payable	274	793
Other liabilities	3,178	3,583
Total liabilities	423,650	441,242
Commitments and contingencies		
Members' Equity		
Protected borrower equity	14	16
Capital stock and participation certificates	1,131	1,231
Retained earnings		
Allocated	52,048	52,055
Unallocated	22,844	21,571
Total members' equity	76,037	74,873
Total liabilities and members' equity	$ 499,687	$ 516,115

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

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2009	2008
Interest Income		
Loans	$ 7,274	$ 9,632
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	4,609	5,843
Other	6	93
Total interest expense	4,615	5,936
Net interest income	2,659	3,696
Provision for (reversal of allowance for) loan losses	1,065	583
Net interest income after provision for (reversal of allowance for) loan losses	1,594	3,113
Noninterest Income		
Loan fees	58	92
Equity in earnings of other Farm Credit institutions	1,044	1,102
Other noninterest income	8	2
Total noninterest income	1,110	1,196
Noninterest Expense		
Salaries and employee benefits	866	851
Occupancy and equipment	84	94
Insurance Fund premium	212	183
Other operating expenses	265	282
Total noninterest expense	1,427	1,410
Income before income taxes	1,277	2,899
Provision (benefit) for income taxes	—	24
Net income	$ 1,277	$ 2,875

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

Farm Credit fo Northwest Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Capital	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2007	$ 24	$ 1,349	$ 49,411	$ 20,074	$ 70,858
Net income				2,875	2,875
Protected borrower equity retired	(8)				(8)
Capital stock/participation certificates issued/(retired), net		17			17
Retained earnings retired			(40)		(40)
Patronage distribution adjustment			(221)	(51)	(272)
Balance at March 31, 2008	$ 16	$ 1,366	$ 49,150	$ 22,898	$ 73,430
Balance at December 31, 2008	$ 16	$ 1,231	$ 52,055	$ 21,571	$ 74,873
Net income				1,277	1,277
Protected borrower equity retired	(2)				(2)
Capital stock/participation certificates issued/(retired), net		(100)			(100)
Retained earnings retired			(10)		(10)
Patronage distribution adjustment			3	(4)	(1)
Balance at March 31, 2009	$ 14	$ 1,131	$ 52,048	$ 22,844	$ 76,037

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

NOTE 1 – ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The accompanying financial statements include the accounts of Farm Credit of Northwest Florida, ACA (the Association). 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 and for the year ended December 31, 2008, are contained in the 2008 Annual Report to Shareholders. These unaudited first quarter 2009 consolidated financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

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) and prevailing practices within the banking industry. The results for the three months ended March 31, 2009, are not necessarily indicative of the results to be expected for the year ending December 31, 2009.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period's consolidated financial statement presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2009, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In addition to the recently issued accounting pronouncements discussed in the 2008 Annual Report to Shareholders, effective January 1, 2009, the Association adopted Financial Accounting Standards Board (FASB) Statement of Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The impact of adoption requires additional fair value disclosures, if applicable, but does not have an impact on the Association's financial condition or results of operations.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
	2009	**2008**
Balance at beginning of period	$ 3,294	$ 4,396
Provision for (reversal of) loan losses	1,065	583
Charge-offs	(1,019)	(2,615)
Recoveries	380	–
Balance at end of period	$ 3,720	$ 2,364

The following table presents information concerning impaired loans as of March 31,

	2009	**2008**
Impaired loans with related allowance	$ 18,177	$ 1,569
Impaired loans with no related allowance	25,005	3,343
Total impaired loans	$ 43,182	$ 4,912
Allowance on impaired loans	$ 2,213	$ 677

The following table summarizes impaired loan information for the three months ended March 31,

	2009	**2008**
Average impaired loans	$ 27,695	$ 9,566
Interest income recognized on impaired loans	117	5

NOTE 3 – EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the three months ended March 31,	
	2009	**2008**
Pension	$ 156	$ 46
401(k)	22	30
Other postretirement benefits	22	21
Total	$ 200	$ 97

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 3/31/09	Projected Contributions For Remainder of 2009	Projected Total Contributions 2009
Pension	$ -	$ -	$ -
Other postretirement benefits	30	76	106
Total	$ 30	$ 76	$ 106

Actuarial calculations as of the last plan measurement date (December 31, 2008) projected no contributions to the pension plan for 2009. However, market conditions could impact discount rates and return on plan assets which could make additional contributions necessary before the next plan measurement date of December 31, 2009.

Further details regarding employee benefit plans are contained in the 2008 Annual Report to Shareholders.

NOTE 4 – FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Association adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities primarily consist of impaired loans and other property owned.

SFAS No. 157 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.

SFAS No. 157 establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs and the classification of the Association's financial instruments within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Association has no Level 1 assets or liabilities measured at fair value on a recurring basis at March 31, 2009.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets or liabilities measured at fair value on a recurring basis at March 31, 2009.

Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing. Level 3 assets at March 31, 2009 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying collateral since these were collateral-dependent loans. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principle balance of the loan, a specific reserve is established. Other property owned is classified as a level 3 asset at March 31, 2009. The fair value for other property owned is based upon the collateral less estimated costs to sell.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy values are summarized below:

	March 31, 2009				
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	$ -	$ -	$ 15,964	$ 15,964	$ (826)
Other property owned	$ -	$ -	$ 1,355	$ 1,355	$ –