

**Premier
Farm
Credit,
ACA**

**SECOND QUARTER
REPORT
2009**

The Gold Standard in Ag Lending

DISCLOSURE

The shareholders' investment in Premier Farm Credit, ACA is materially affected by the financial condition and results of operations of U.S. AgBank, FCB, (AgBank). The 2008 AgBank Annual Report to Shareholders, the 2008 AgBank District Annual Report to Shareholders, the AgBank quarterly shareholders' reports and the AgBank District quarterly shareholders' reports are available on AgBank's web site, www.usagbank.com, or may be obtained at no charge by visiting the Administrative Office, Premier Farm Credit, ACA, 202 Poplar Street, Sterling, CO or by calling 970-522-5295.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
(Dollars in Thousands, Except as Noted)
(Unaudited)

The following commentary summarizes the principal aspects of the financial position and results of operations of Premier Farm Credit, ACA (the Association) for the quarter ended June 30, 2009, with comparisons to the prior year and prior quarter. You should read these comments with the accompanying financial statements and footnotes, along with other disclosures contained in this report and the 2008 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of the audit committee.

Rain has been plentiful this spring growing season. While we have witnessed some hail, most generally we are anticipating an above average wheat crop. Cooler temperatures also prevailed and the corn crop was lagging in growth. Recent warmer weather has brought the crop along rapidly and the prospects for good production look favorable. The wet weather has limited the amount of irrigation needed thus far and will enable the reservoir supply to meet irrigation demands for the season.

Grain prices have dropped significantly as of late impacting the potential profitability of those operations. Yet, with average to above average production, operations could attain a modest level of profitability.

The flip side of this issue is that feed costs are down bringing some hope to the protein sector. Of concern at this time is the impact the global recession will have on worldwide demand for proteins.

The Republican River Water Conservation District continues their work towards an agreement to deliver water to Kansas to ensure compliance with the compact. The Association continues to monitor the situation and remains optimistic regarding the future of irrigated agriculture in Northeast Colorado.

The experts project that the general economy will endure a slow recovery over the next year or more. While the agricultural economy has fared better, we can anticipate credit stress as commodity prices fall and the general economy has an impact on demand. The Association has a strong credit portfolio and most members have enjoyed profitable operations over the past years bolstering their ability to withstand adversity.

LOAN PORTFOLIO

The Association is a party to a shared lending operation known as the Agribusiness Finance Group (AFG). The agreement includes the Association, Farm Credit Services of the Mountain Plains, ACA, Farm Credit of Southern Colorado, ACA and Farm Credit of New Mexico, ACA. These associations pool their resources to coordinate and enhance the marketing, originating and servicing of large, complex commercial and mortgage loans, as well as diversify risk.

Loans outstanding at June 30, 2009 totaled \$381,095, an increase of \$2,826, or .75%, from loans of \$378,269 at December 31, 2008. The increase was primarily the result of small growth in the real estate mortgage loan portfolio and participations purchased in the energy sector, partially offset by a decline in agri-business processing and marketing loans.

RESULTS OF OPERATIONS

Net interest income for the six months ended June 30, 2009 was \$4,399, down \$451 from the same period ended one year ago. When comparing net interest income of \$2,281 for the three months ended June 30, 2009, to the same period ended one year ago, it is down \$28. The Association has seen the interest rate it earns on its loanable funds decline almost 4.5% since January 2008. As a result, the Association's return on loanable funds has declined \$1,162 when comparing the first half of 2009 to that of 2008. The lower interest rate environment has permitted the Association to offer reduced interest rates to its customers, but has caused the Association's net interest income to also be reduced. Interest income decreased \$855 and interest expense decreased \$404 when comparing the first half

of 2009 to that of 2008. When comparing the second quarter interest income and interest expense for 2009 to that for 2008, the decrease has been \$290 and \$262, respectively.

In an effort to strengthen the return on loanable funds, the Association is participating in the Earnings Stabilization Management Program (ESMP) offered by U.S. AgBank (the Bank). This program permits the Association to fix some of its loanable funds at an interest rate guaranteed to be paid on those fixed funds for a given time period. The Association has \$16,300 invested in that program as of June 30, 2009.

Net income for the six months ended June 30, 2009 was \$1,402, a decrease of \$2,073, or 59.7%, from the same period ended one year ago. This is primarily due to \$901 more in provision for loan losses, \$767 less in patronage from the Bank, and \$451 less in net interest income. Partially offsetting these items were increases in financially related services of \$51. The strong crop prices experienced during much of 2008 continue to increase both the premiums and number of multi-peril crop insurance policies being written.

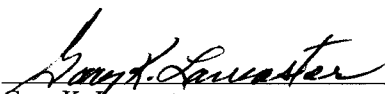
The provision for loan losses was increased due to the need to increase the specific reserves on construction material loans, the write off of stock value on other property owned, and general reserve increases as a result of increased risk in the loan portfolio.

During the first quarter of 2009, we were notified by the Bank that they have changed their patronage program whereby patronage will be paid annually, after the end of the year, to its members. Previously, the Bank paid patronage quarterly. As a result, our patronage earnings compared to the previous period will be reduced during 2009.

CAPITAL RESOURCES

Our shareholders' equity at June 30, 2009 was \$95,379, an increase from \$93,961 at December 31, 2008. This increase is due to \$1,402 in net income and a \$10 increase in stock. In addition, the Other Comprehensive Loss decreased \$6 in the first half of 2009 from the amortization of pension gains included in the net periodic benefit cost.


The undersigned certify that they have reviewed this report, this report 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.



Gary K. Lancaster
Chairman of Audit Committee
August 6, 2009



Rick Sanger
President & CEO
August 6, 2009



Cathy G. Castilleja
Chief Financial Officer
August 6, 2009

PREMIER FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CONDITION
(Dollars in Thousands)

	June 30 2009	December 31 2008
	UNAUDITED	AUDITED
ASSETS		
Loans	\$ 381,095	\$ 378,269
Less allowance for loan losses	2,764	2,171
Net loans	378,331	376,098
Cash	1,131	6,586
Accrued interest receivable	7,462	6,340
Investment in U.S. AgBank, FCB	12,586	12,586
Premises and equipment, net	1,320	1,399
Other property owned	-	110
Prepaid benefit expense	694	685
Deferred tax asset	1,491	1,492
Other assets	340	1,231
Total assets	\$ 403,355	\$ 406,527
LIABILITIES		
Note payable to U.S. AgBank, FCB	\$ 292,975	\$ 290,927
Advance conditional payments	9,319	8,480
Accrued interest payable	4,411	8,186
Patronage distributions payable	-	3,000
Accrued benefits liability	208	213
Other liabilities	1,063	1,760
Total liabilities	307,976	312,566
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Protected borrower stock	1	2
Capital stock	1,043	1,032
Unallocated retained earnings	94,388	92,986
Other comprehensive income/(loss)	(53)	(59)
Total shareholders' equity	95,379	93,961
Total liabilities and shareholders' equity	\$ 403,355	\$ 406,527

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

PREMIER FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF INCOME
(Dollars in Thousands)

UNAUDITED	For the three months ended June 30		For the six months ended June 30	
	2009	2008	2009	2008
INTEREST INCOME				
Loans	\$ 5,329	\$ 5,619	\$ 10,602	\$ 11,457
Total interest income	5,329	5,619	10,602	11,457
INTEREST EXPENSE				
Note payable to U.S. AgBank, FCB	3,038	3,264	6,180	6,484
Other	10	46	23	123
Total interest expense	3,048	3,310	6,203	6,607
Net interest income	2,281	2,309	4,399	4,850
Provision for loan losses/(Loan loss reversal)	330	98	719	(182)
Net interest income after provision for loan losses/(loan loss reversal)	1,951	2,211	3,680	5,032
NONINTEREST INCOME				
Financially related services income	28	32	176	125
Loan fees	43	98	168	206
Patronage distribution from U.S. AgBank, FCB	24	502	238	1,005
Other noninterest income	46	75	103	114
Total noninterest income	141	707	685	1,450
NONINTEREST EXPENSE				
Salaries and employee benefits	927	901	1,737	1,744
Occupancy and equipment	92	103	197	224
Purchased services from AgVantis, Inc.	124	111	258	229
Farm Credit Insurance Fund premium	150	134	308	262
Supervisory and examination costs	35	32	69	64
Other noninterest expense	183	246	401	478
Total noninterest expense	1,511	1,527	2,970	3,001
Income before income taxes	581	1,391	1,395	3,481
Provision for income taxes	(10)	5	(7)	6
Net income	\$ 591	\$ 1,386	\$ 1,402	\$ 3,475

PREMIER FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in Thousands)

UNAUDITED

	Protected Stock	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2007	\$ 3	\$ 1,055	\$ 89,760	\$ (50)	\$ 90,768
Adjustment to beginning balance due to SFAS No. 158 accounting change			\$ (4)		\$ (4)
Balance at January 1, 2008	\$ 3	\$ 1,055	\$ 89,756	\$ (50)	\$ 90,764
Comprehensive income					
Net income			3,475		
Change in retirement obligation				8	
Total comprehensive income					3,483
Stock issued	-	48			48
Stock retired	(1)	(61)			(62)
Balance at June 30, 2008	\$ 2	\$ 1,042	\$ 93,231	\$ (42)	\$ 94,233
Balance at December 31, 2008	\$ 2	\$ 1,032	\$ 92,986	\$ (59)	\$ 93,961
Comprehensive income					
Net income			1,402		
Change in retirement obligation				6	
Total comprehensive income					1,408
Stock issued	-	56			56
Stock retired	(1)	(45)			(46)
Balance at June 30, 2009	\$ 1	\$ 1,043	\$ 94,388	\$ (53)	\$ 95,379

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

NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands, Except as Noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Premier Farm Credit, ACA (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 second quarter 2009 financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Recognized subsequent events should be recognized in the financial statements since the conditions existed at the date of the balance sheet. Nonrecognized subsequent events are not recognized in the financial statements since the conditions arose after the balance sheet date but before the financial statements are issued or are available to be issued. This Standard, which includes a required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations, and conform to generally accepted accounting principles and prevailing practices within the banking industry. The results for the six months ended June 30, 2009, are not necessarily indicative of the results to be expected for the year ended December 31, 2009.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the allowance for loan losses follows.

	June 30, 2009	June 30, 2008
Balance at beginning of year	\$ 2,171	\$ 2,115
Provision for loan losses/(Loan loss reversal)	719	(182)
Charge-offs	126	39
Recoveries	-0-	-0-
Balance at end of period	\$ 2,764	\$ 1,894

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following presents information relating to impaired loans including accrued interest.

	June 30, 2009	June 30, 2008
Impaired loans with related allowance	\$ 299	\$ -0-
Impaired loans with no related allowance	2,028	656
Total impaired loans	\$ 2,327	\$ 656

Allowance on impaired loans	\$ 307	\$ -0-
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The following table summarizes impaired loan information.

	For the six months ended	
	June 30, 2009	June 30, 2008
Average impaired loans	\$ 2,261	\$ 831
Interest income recognized on impaired loans	\$ 8	\$ 114

NOTE 3 - FAIR VALUE MEASUREMENTS

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. See Note 2 to the 2008 Annual Report to Shareholders for a more complete description.

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

	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefits trusts	\$ 89	\$ -0-	\$ -0-	\$ 89
Total assets	\$ 89	\$ -0-	\$ -0-	\$ 89

Assets and liabilities measured at fair value on a non-recurring basis at June 30, 2009 for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair Value	Total Gains/(Losses)
	Level 1	Level 2	Level 3		
Assets:					
Loans	\$ -0-	\$ -0-	\$ 191	\$ 191	\$(174)
Other property owned	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$(110)

Valuation Techniques

As more fully discussed in Note 2 to the 2008 Annual Report to Shareholders, SFAS No. 157 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 presents a brief summary of the valuation techniques used for the Association's assets and liabilities.

Assets Held in Non-Qualified 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

For certain loans evaluated for impairment under SFAS No. 114, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. These loans are generally classified as Level 3.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral less estimated costs to sell.

NOTE 4 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 6, 2009, which is the date the financial statements were issued.