Idaho AgCredit

When you grow, we grow.

2009
ANNUAL REPORT

Idaho Agricultural Credit Association
and its wholly owned subsidiaries,
Idaho AgCredit, FLCA and Idaho AgCredit, PCA

IDAHO AGRICULTURAL CREDIT ASSOCIATION

2009 ANNUAL REPORT

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SCHEDULE OF DIRECTORS, OFFICERS, AND STAFF

BOARD OF DIRECTORS

Raymond G. Parks, Chairman .... Blackfoot
Mark R. Ricks, Vice Chairman .... Felt
Kenneth S. Black .... Burley
W. Brock Driscoll... Aberdeen
Scott R. Giltner .... Jerome
Twain S. Hayden... Arbon
Mike Virtue.. Blackfoot

OFFICERS

Dan Allred .... President, CEO and CCO
Jim Chase .... Secretary and CFO
Greg Rose... Vice President
Marc Fonnesbeck .... Vice President
Adam C. Jensen........................ Assistant Vice President

STAFF

<u>Headquarters-Blackfoot</u>
Nelson C. Cooper, Jr. .... Internal Auditor
Ryan Funk................... IT Administrator and Programmer
Leslie Stephens .... Fiscal Operations Supervisor
Ingrid Denning................................ Operations Assistant

<u>American Falls Branch</u>
Adam C. Jensen .... Branch Manager
Stan Taysom..................................... Senior Loan Officer
Dana Wood .... Loan Officer
Craig Hepworth .... Loan Officer
Maxine Olson .... Operations Assistant
Kim Dean .... Operations Assistant

<u>Twin Falls Contact Point</u>
Sean Zaugg .... Senior Loan Officer

<u>Blackfoot Branch</u>
Greg Rose .... Branch Manager
Katie Wallace .... Loan Officer
Leisa Cushman .... Operations Assistant

<u>Rexburg Branch</u>
Marc Fonnesbeck .... Branch Manager
Doug Eck .... Senior Loan Officer
Kirk Powell.. Senior Loan Officer
Heathe Weston .... Loan Officer
Carrie Mackert..................... Senior Operations Assistant
Tina Morton .... Senior Loan Processing Specialist

IDAHO AGRICULTURAL CREDIT ASSOCIATION
December 31, 2009

Idaho AgCredit
When you grow, we grow.

REPORT OF MANAGEMENT

The financial statements of the Idaho Agricultural Credit Association (the Association) are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with generally accepted accounting principles and under the oversight of the Audit Committee (comprised of all board members), and in the opinion of management, fairly present the financial condition and results of operations of the Association.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are properly authorized and recorded. The systems have been designed to provide the information to facilitate the recognition of costs in relation to benefits derived. To monitor compliance, the Association's Internal Auditor, the U.S. AgBank, Farm Credit Bank of Wichita, Kansas (AgBank) and an independent accounting firm perform reviews of the accounting records, review accounting systems and internal controls, and recommend improvements as appropriate.

The 2009 financial statements of Idaho Agricultural Credit Association were audited by Galusha, Higgins & Galusha, certified public accountants (CPAs), who also conducted a review of the accounting records and such other auditing procedures as they considered necessary to comply with generally accepted auditing standards. A copy of their report is presented later in this report.

The activities of the Association are also reviewed by the Farm Credit Administration (FCA), and certain actions of the Association are subject to approval by AgBank. Certain actions of AgBank are also subject to FCA approval.

The Board of Directors and Audit Committee have overall responsibility for the Association's systems of internal control and financial reporting. In connection with this obligation, each consults regularly with management and periodically reviews the scope and results of work performed by the CPAs and other auditors. The CPAs also have direct access to the Board of Directors and Audit Committee.

The undersigned hereby certify that this report has been reviewed by the undersigned, 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 the undersigned's knowledge and belief.

Mark R Ricks

Mark R. Ricks,
Board Vice Chairman and
Audit Committee Vice Chairman

Dan Allred

Dan Allred,
President and Chief Executive Officer

Jim Chase

Jim Chase
Secretary and Chief Financial Officer

Note: Chairman Raymond Parks passed away in February 2010. The Vice Chairman is authorized by the Board to sign whenever the Chairman is unable.

February 17, 2010

AUDIT COMMITTEE REPORT

The Audit Committee (Committee) is composed of the entire Board of Directors of Idaho Agricultural Credit Association (Association). In 2009, eight Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside accountants, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. In addition, the Committee approved the appointment of Galusha, Higgins & Galusha, PC (CPAs) as the Association's independent accountant for 2009. The Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. CPAs are responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's Quarterly Reports and the audited consolidated financial statements for the year ended December 31, 2009 (the “Audited Financial Statements”) with management and CPAs. The Committee also reviews with CPAs the matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance), and both CPAs and the Association's internal auditor directly provide reports on significant matters to the Committee.

The Committee received the written disclosures and the letter from CPAs in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and discussed with CPAs their independence from the Association. The Committee also reviewed the non-audit services provided by CPAs and concluded these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and CPAs such other matters and received such assurances from them as the Committee deemed appropriate.

The fees paid for 2009 auditing services are contracted to not exceed $22,000 for audit services and $4,600 for tax services and non-audit services. All audit and non-audit services with CPAs were contracted by and approved by the Audit Committee. Non-audit services include calculation of the fair value of financial instruments, calculation of deferred income taxes, and preparation of federal and state income taxes.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Audited Financial Statements in the Association's Annual Report to Shareholders for the year ended December 31, 2009.

Mark R Ricks

Mark R. Ricks
Vice Chairman of the Audit Committee

Raymond G. Parks	Twain S. Hayden
Kenneth S. Black	Scott R. Giltner
W. Brock Driscoll	Mike Virtue

Audit Committee Members

February 17, 2010

IDAHO AGRICULTURAL CREDIT ASSOCIATION
FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(Dollars in thousands)

	December 31				
Consolidated Statement of Condition Data	**2009**	2008	2007	2006	2005
Loans	**$ 193,422**	$ 162,775	$ 133,359	$ 118,557	$ 125,541
Less allowance for loan losses	**148**	427	393	405	387
Net loans	**193,274**	162,348	132,966	118,152	125,154
Cash and investment securities	**955**	997	912	1,118	546
Accrued interest receivable	**3,474**	3,422	3,175	3,075	2,695
Investment in U.S. AgBank, FCB	**9,483**	9,483	9,483	9,483	9,139
Other property owned	**0**	170	0	388	0
Other assets	**512**	456	653	742	952
Total assets	**$ 207,698**	$ 176,876	$ 147,189	$ 132,958	$ 138,486
Obligations with maturities of one year or less	**$ 170,193**	$ 140,656	$ 111,724	$ 74,711	$ 82,500
Obligations with maturities longer than one year	**409**	343	697	25,504	26,238
Total liabilities	**$ 170,602**	$ 140,999	$ 112,421	$ 100,215	$ 108,738
Capital stock and participation certificates	**303**	275	255	240	241
Allocated retained earnings	**0**	0	0	0	0
Unallocated retained earnings	**36,793**	35,602	34,513	32,766	29,984
Accumulated other comprehensive income/(loss)	**0**	0	0	(263)	(477)
Total shareholders' equity	**$ 37,096**	$ 35,877	$ 34,768	$ 32,743	$ 29,748
Total liabilities and shareholders' equity	**$ 207,698**	$ 176,876	$ 147,189	$ 132,958	$ 138,486

	For the Year Ended December 31				
Consolidated Statement of Income Data	**2009**	2008	2007	2006	2005
Net interest income	**$ 4,862**	$ 3,964	$ 4,125	$ 4,432	$ 4,448
Patronage distribution from U.S. AgBank, FCB	**72**	540	823	766	621
(Provision for) or Reversal of loan losses	**(106)**	(35)	13	30	16
Noninterest expense, net	**(2,853)**	(2,417)	(2,091)	(2,422)	(2,349)
(Provision for) or Benefit from income taxes	**(38)**	(34)	(56)	(24)	(163)
Gains (or Losses) from extraordinary items	**0**	0	0	0	0
Net income/(loss)	**$ 1,937**	$ 2,018	$ 2,814	$ 2,782	$ 2,573

Consolidated Key Financial Ratios	**2009**	2008	2007	2006	2005
For The Year					
Return on average assets	**1.07%**	1.32%	2.08%	2.11%	1.91%
Return on average shareholders' equity	**5.27%**	5.64%	8.23%	9.01%	9.01%
Net interest income as % of average earning assets	**2.90%**	2.85%	3.40%	3.83%	3.73%
Net charge-offs/(recoveries) as % of avg net loans	**0.23%**	0.00%	0.00%	(0.04%)	(0.01%)
At Year End					
Shareholders' equity as a percentage of total assets	**17.86%**	20.28%	23.62%	24.63%	21.48%
Debt as a ratio to shareholders' equity	**4.60:1**	3.93:1	3.23:1	3.06:1	3.66:1
Allowance for loan losses as a percentage of loans	**0.08%**	0.26%	0.29%	0.34%	0.31%
Permanent capital ratio (avg)	**19.22%**	22.97%	26.05%	25.45%	21.56%
Core surplus ratio (avg)	**16.02%**	18.27%	20.11%	19.68%	16.64%
Total surplus ratio (avg)	**19.04%**	22.78%	25.85%	25.24%	21.36%

Net Income Distribution	**2009**	2008	2007	2006	2005
Cash patronage distributions	**$ 930**	$ 1,068			
Cash patronage declared payable	**$ 746**	$ 930	$ 1,068		

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in thousands)

INTRODUCTION

The following discussion summarizes the financial position and results of operations of Idaho Agricultural Credit Association for the year ended December 31, 2009. Comparisons with prior years are included. We have emphasized material known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operation. You should read these comments along with the accompanying financial statements, footnotes and other sections of this report. We have reclassified certain amounts in prior years' financial statements to conform to current financial statement information. The accompanying financial statements were prepared under the oversight of our Audit Committee. The Management's Discussion and Analysis includes the following sections:

- Business Overview
- Economic Overview
- Loan Portfolio
- Credit Risk Management
- Results of Operations
- Liquidity
- Capital Resources
- Regulatory Matters
- Litigation
- Governance
- Forward-Looking Information
- Critical Accounting Policies and Estimates
- Customer Privacy

The Association's quarterly reports to shareholders are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. The reports may be obtained free of charge on the Association's website, www.IdahoAgCredit.com, or upon request. We are located at 188 West Judicial, PO Box 985, Blackfoot, ID 83221 or may be contacted by calling (208)785-1510 or (800)686-8910.

BUSINESS OVERVIEW

Farm Credit System Structure and Mission

We are one of more than 80 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 90 years. The System mission is to provide sound and dependable credit to American farmers, ranchers, and producers or harvesters of aquatic products, and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The Farm Credit Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine and regulate System institutions.

Our Structure and Focus

As a cooperative, we are owned by the members we serve. Our territory served extends across a diverse agricultural region of 24 counties in south and east Idaho and two counties in Wyoming. The counties in our territory are listed in Note 1, Organization and Operations, of the Notes to Consolidated Financial Statements. We make production and intermediate-term loans for agricultural production or operating purposes and long-term real estate mortgage loans to farmers, ranchers, rural residents and agribusinesses. Additionally, we provide other related services to our borrowers, such as credit life insurance and crop hail insurance. Our success begins with our extensive agricultural experience and knowledge of the market and is dependent on the level of satisfaction we provide to our borrowers.

We obtain the funding for our lending and operations from U.S. AgBank, FCB (AgBank). AgBank is a cooperative of which we are a member. AgBank, its related associations, and AgVantis, Inc. (AgVantis) are referred to as the District. We are materially affected by AgBank's financial condition and results of operations. The AgBank and AgBank District quarterly and annual reports are available free of charge by accessing AgBank's web site, www.usagbank.com, or may be obtained at no charge by contacting us at Idaho AgCredit, 188 W. Judicial, PO Box 985, Blackfoot, ID 83221 or by calling (208)785-1510. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

We purchase technology and other operational services from AgVantis, which is a technology service corporation. We purchase payroll and other human resources services from Farm Credit Foundations, which is a human resource service provider for a number of Farm Credit institutions.

ECONOMIC OVERVIEW

For many years, agriculture has experienced a sustained period of favorable economic conditions due to strong commodity prices, rising land values, and, to a lesser extent, government support programs. As a result, our financial results were positively impacted. Production agriculture, however, remains a cyclical business that is heavily influenced by commodity prices. High energy and fertilizer costs, higher feed costs, labor costs and availability, water costs and availability, increased market interest rates, adverse weather conditions and commodity price volatility can negatively impact the profitability of agricultural producers. In an environment of less favorable economic conditions in agriculture and without sufficient government support programs, our financial performance and credit quality measures would be negatively impacted. In the past year, conditions in the general and agricultural economy have become less favorable with the instability in the global markets and volatile production costs. The dairy and potato industries have been particularly affected. The negative impact from these less favorable conditions is somewhat lessened by geographic and commodity diversification and the generally strong financial condition of our agricultural borrowers. However, borrowers who are more reliant on off-farm income sources may be more adversely impacted due to the weakened general economy.

(Dollars in thousands)

Economic events created substantial turmoil in the financial sector and uncertainty in the credit markets in 2008 and 2009. During the latter part of 2009, the severe stress in the financial markets began to stabilize. The System's strong capital and liquidity position has enabled us to obtain the funding needed to fund loans to our farmer and rancher customers in response to loan demand.

During 2009, economic conditions in our region were positively affected by favorable commodity prices in the spring of 2009 for major commodities financed including potatoes, wheat, barley, sugar beets and hay. In the fall of 2009, prices for most of these commodities fell and have remained at levels below the cost of break even for many operations, especially those without solid contracts. Sugar beet prices remain profitable, but potato and milk prices are down from the prior year on average and many operations are struggling to break even or remain in business. Continued high costs for energy, fertilizers and related items have increased the break-even costs substantially for most operators.

Supplies of both surface and ground irrigation water were sufficient to irrigate the crops to maturity and year end reservoir levels were good, although year end snowpack levels are below average. Ongoing water rights issues and suits between pumpers and surface water users include annual review by the State of Idaho Department of Water Resources and assessment of whether some pumping may be cut off or reduced, but current projections indicate there should be adequate water for 2010 crops. The Idaho Legislature is also considering options for building more long-term stability into how water is made available in drought years when there might not be enough surface water to satisfy the needs of some priority water rights owners.

Prime rate remained constant at 3.25% throughout 2009 after rapid reductions in Prime in 2008. Global concern over losses in the U.S. sub-prime mortgage market and other U.S. recessionary factors have continued to affect financial markets, and although Prime remained constant in 2009, the cost of funds for the Association did not decrease as quickly or as far as Prime dropped in 2008. The combination of lower overall loan rates with narrower rate spreads have decreased the Association's earnings even though loan volume grew significantly in 2009. On the other hand, lower interest rates have improved profitability of farm operating loans by offsetting some of the uncertainty in rising input costs and low commodity prices.

Real estate prices have remained strong and there has been a significant amount of real estate turnover in the last couple of years, which is reflected in higher mortgage loan volume. It is currently too early to tell if there is a market adjustment looming in farm real estate due to recent financial market volatility, but the overall sense is that farm real estate is accurately priced and there will not be any significant adjustments to farm real estate values in the near future.

Net income was moderate and primarily reflects the strong economic success of the Association's customers and continued earnings on the Association's own loanable funds. Patronage allocations from AgBank were down from prior years due to AgBank's write down of some investments related to the global financial crisis and lower earnings on AgBank's own funds, and projections for AgBank patronage in 2010 are also minimal, although AgBank projects another profitable year.

LOAN PORTFOLIO

Total loan volume was $193,422 at December 31, 2009, an increase of $30,647 or 18.8%, from loans at December 31, 2008 of $162,775, and an increase of $60,063, or 45.0%, in the two year period from loans at December 31, 2007, of $133,359. The increase in loans from 2008 was due to successful marketing efforts and the overall improved economic conditions for the farmers and ranchers the Association finances. The types of loans outstanding at December 31 are reflected in the following table.

	2009		2008		2007	
Type of Loan	**Volume**	**Percent**	Volume	Percent	Volume	Percent
Real estate mortgage	**$ 106,554**	**55.1%**	$ 97,384	59.8%	$ 73,253	54.9%
Production and intermediate-term	**84,803**	**43.9%**	63,387	38.9%	56,253	42.3%
Agribusiness:						
Processing and marketing	**636**	**0.3%**	784	0.5%	2,842	2.1%
Farm related business	**1,429**	**0.7%**	1,067	0.7%	955	0.7%
Rural residential real estate	**0**	**0.0%**	153	0.1%	56	0.0%
Total	**$ 193,422**	**100.00%**	$ 162,775	100.00%	$ 133,359	100.00%

(Dollars in thousands)

The Association currently has no loans to cooperatives and no communication, energy, aquatic, water/waste disposal, mission related, international, or lease receivable loans.

Real estate mortgage volume increased to $106,554 compared to $97,384 at year-end 2008, primarily due to successful marketing and requests for new loans. These loans are used to purchase, refinance or improve real estate, and have maturities ranging from 5 to 40 years. Real estate mortgages are also made to non-farm rural homeowners. By law, real estate mortgage loans must be secured by first liens and may be made only in amounts up to 85 percent of the original appraised value of the property or up to 97 percent of appraised value if guaranteed by certain state, federal, or other governmental agencies.

Production and intermediate-term loan volume increased to $84,803, compared to $63,387 at year-end 2008, primarily due to successful marketing and higher input costs experienced by borrowers. Production loans are used to finance the ongoing operating needs of agricultural producers. Production loans generally match the borrower's normal production and marketing cycle, which is typically 12 months. Intermediate-term loans are generally used to finance depreciable capital assets of a farm or ranch and are written for a specific term of 1 to 15 years with most loans not exceeding 10 years.

Processing and marketing loans decreased to $636 compared to $784 at year-end 2008 primarily due to normal loan activity. Farm related business loan volume increased to $1,429 compared to $1,067 at year-end 2008 primarily due to normal loan activity and better classification of some loans. There can be considerable seasonal variation in loan volume due to the timing and amounts of disbursements and repayments on loans.

Loan Portfolio Diversification

While we make loans and provide financially related services to qualified borrowers in agricultural and rural sectors and to certain related entities, our loan portfolio is diversified by participations purchased and sold, geographic locations served and commodities financed, as illustrated in the following three tables.

We purchase participation interests in loans from other System entities to generate additional earnings and in some cases diversify risk related to existing commodities financed and our geographic area served. In addition, we sell a portion of certain large loans to other System entities to reduce risk and comply with lending limits we have established. Our volume of participations purchased and sold as of December 31 follows.

	2009	2008	2007
Participations purchased	**$ 26,105**	$ 20,570	$ 11,843
Participations sold	**$ 41,198**	$ 37,058	$ 24,856

(Dollars in thousands)

The geographic distribution of loans by county are shown below as of December 31 (loans we purchase from outside of Idaho are shown in “Other”).

County (in Idaho unless denoted)	**2009**	2008	2007
Bannock	**200**	$ 38	$ 23
Bear Lake	**401**	0	103
Bingham	**29,578**	44,763	28,179
Blaine	**0**	0	0
Bonneville	**6,026**	4,474	5,920
Butte	**3,139**	2,239	2,180
Camas	**41**	48	49
Caribou	**5,857**	5,739	5,421
Cassia	**3,251**	1,565	1,540
Clark	**880**	2,112	298
Custer	**2,423**	2,471	2,461
Franklin	**0**	0	0
Fremont	**15,943**	15,345	13,660
Gooding	**1,797**	1,783	1,357
Jefferson	**31,883**	24,380	20,872
Jerome	**5,500**	5,682	5,638
Lemhi	**628**	569	346
Lincoln	**1,435**	1,090	993
Madison	**18,291**	11,140	13,445
Minidoka	**1,555**	2,778	1,711
Oneida	**403**	279	0
Power	**32,203**	12,540	13,345
Teton	**1,370**	995	1,534
Twin Falls	**6,156**	5,252	5,518
Lincoln and Teton counties, Wyoming	**1,357**	0	0
Other (outside of Idaho)	**23,105**	17,493	8,766
Total	**$ 193,422**	$ 162,775	$ 133,359

Bingham County has a large concentration of potatoes and sugar beets, which require extensive capital. Fremont and Madison Counties also have a large concentration of potato acreage. Power County has large concentrations of potatoes, grain and sugar beet acreages. Jefferson county has a large concentration of potatoes, grain and hay acreage. During 2009, the headquarters of several large operations changed from Bingham County to Power County.

The following table shows the Association's percentage of average loan volume attributable to the gross sales of the primary agricultural commodities produced by our borrowers as of December 31 (all results are shown net of participations sold).

	2009	2008	2007
Potatoes	**26.3%**	24.2%	28.7%
Grain (wheat, malt and feed barley)	**20.1%**	23.9%	19.2%
Cash Rent	**10.7%**	11.8%	11.7%
Beef cattle	**9.0%**	7.4%	8.3%
Hay	**7.8%**	6.1%	6.2%
Milk and dairy cattle	**7.7%**	8.2%	8.0%
Sugar beets	**6.2%**	4.9%	5.8%
Other	**12.2%**	13.5%	12.1%
Total	**100.0%**	100.0%	100.0%

Our loan portfolio contains a concentration of potato and grain producers. Repayment ability of our borrowers is closely related to the production and the profitability of the commodities they raise. If a loan fails to perform, restructuring and/or other servicing alternatives are influenced by the underlying value of the collateral which is impacted by the industry economics. Our future performance would be negatively impacted by adverse agricultural conditions. The degree of the adverse impact would be correlated to the commodities impacted and the magnitude and duration of the adverse agricultural conditions to our borrowers.

In addition to commodity diversification noted in the previous tables, further diversification is also achieved from loans to rural residents and part-time farmers which typically derive most earnings from nonagricultural sources. These borrowers are less subject to agricultural cycles and would likely be more affected by weaknesses in the general economy. The percentage of loan volume derived from nonagricultural sources for the years 2007 through 2009 is insignificant.

Small loans (less than $250 thousand) accounted for 21.6% of loan volume at December 31, 2009. Credit risk on small loans, in many instances, may be reduced by non-farm income sources. The table below details loans by dollar size of principal outstanding as of December 31, 2009.

(Range in thousands)		Amount Outstanding	Number of Loans
$1 - $250	$	41,791	644
$251 - $500		33,436	96
$501 - $1,000		35,545	51
$1,001 - $5,000		70,650	38
$5,001 - $25,000		12,000	2
$25,001 - $100,000		0	0
Total	$	193,422	831

Approximately 80% of our loan volume is attributable to 71 borrowers on a complex basis (where loans to related borrowers are counted as a single complex). Due to the size of their loans, the loss of any of these borrowers or the failure of any of these borrowers to perform would adversely affect the portfolio and our future operating results.

Beginning in 2008 we entered into agreements with Federal Agricultural Mortgage Corporation (Farmer Mac) for long-term standby commitments to purchase loans in the event of default. The amount of loans subject to these Farmer Mac credit enhancements was $12,000 as of December 31, 2009 and $12,000 as of December 31, 2008. Under the Farmer Mac long-term standby commitment to purchase agreements, we continue to hold the loans in our portfolio, and we pay guarantee fees to Farmer Mac for Farmer Mac's guarantee to purchase each guaranteed loan at par in the event the loan becomes significantly delinquent (typically four months past due). If the borrower cures the default, we must repurchase the loan from Farmer Mac and the guarantee remains in place. Farmer Mac long-term standby commitments to purchase agreements are further described in Note 3, Loans and Allowance for Loan Losses, of the Notes to Consolidated Financial Statements. Fees paid for the Farmer Mac guarantees totaled $48 for 2009 and $20 for 2008 and are included in other operating expenses. Other than the contractual obligations arising from these business transactions with Farmer Mac, Farmer Mac is not liable for any debt or obligation of ours and we are not liable for any debt or obligation of Farmer Mac. For more information on Farmer Mac, refer to their website at www.farmermac.com.

Credit Commitments

We may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of our borrowers and to manage our exposure to interest rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. The following table summarizes the commitment expiration distribution of unfunded credit commitments on loans at December 31, 2009.

	Less than 1 Year	1 - 3 years	4 - 5 years	Over 5 years	Total
Commitments to extend credit	$ 15,854	$ 19,121	$ 0	$ 883	$ 35,858
Standby letters of credit	0	0	0	0	0
Commercial and other letters of credit	0	0	0	0	0
Total commitments	$ 15,854	$ 19,121	$ 0	$ 883	$ 35,858

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their contractual amounts are not reflected on the Consolidated Statement of Financial Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and we apply the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. No material losses are anticipated as a result of these credit commitments.

(Dollars in thousands)

High Risk Assets

Nonperforming loan volume is comprised of nonaccrual, restructured, and loans 90 days past due still accruing interest and are referred to as impaired loans. High risk assets consist of impaired loans and other property owned. Year-end comparative information regarding high risk assets in the portfolio, including accrued interest, follows.

	2009	2008	2007
Nonaccrual loans:			
Production agriculture:			
Real estate mortgage loans	**$ 83**	$ 0	$ 1
Production & intermediate-term loans	**0**	303	272
Total nonaccrual loans	**83**	303	273
Accruing restructured loans	**0**	0	0
Accruing loans 90 days past due			
Production & intermediate-term loans	**11**	0	0
Total accruing loans 90 days past due	**11**	0	0
Total impaired loans	**94**	303	273
Other property owned	**0**	0	0
Total high risk assets	**$ 94**	$ 303	$ 273
Nonaccrual loans to total loans	**0.04%**	0.19%	0.20%
Impaired loans to total loans	**0.05%**	0.19%	0.20%
High risk assets to total loans	**0.05%**	0.19%	0.20%
High risk assets to total shareholders' equity	**0.25%**	0.85%	0.79%

Total high risk assets decreased $209 to $94 at December 31, 2009 compared with year-end 2008. High risk asset volume is anticipated to increase in the future because it is rare to have the current combination of exceedingly high credit quality and low volume of high risk assets, which have been brought on largely by improved economic conditions in agriculture over the past few years.

Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of all principal and/or interest. Nonaccrual volume decreased $220 compared with December 31, 2008 primarily due to the charge off of uncollectible loans. At December 31, 2009, one customer had nonaccrual loans with a book value, and one customer had a loan which was 90 days past due and still accruing interest. The following table provides additional information on nonaccrual loans as of December 31.

	2009	2008	2007
Nonaccrual loans current as to principal and interest	**$ 3**	$ 0	$ 27
Cash basis nonaccrual loans	**0**	0	0
Restructured loans in nonaccrual status	**0**	0	0

For the years presented, there were no cash basis nonaccrual loans, restructured loans in nonaccrual status, or other property owned.

Credit Quality

We review the credit quality of the loan portfolio on an on-going basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System (UCS), which is used by all Farm Credit System institutions. Below are the classification definitions.

- 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 as substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are not considered collectible.

(Dollars in thousands)

The following table presents statistics based on UCS related to the credit quality of the loan portfolio, including accrued interest at December 31.

	2009	2008	2007
Acceptable	**98.60%**	98.13%	96.94%
OAEM	**0.60%**	1.36%	1.90%
Substandard	**0.80%**	0.33%	0.98%
Doubtful	**0.00%**	0.18%	0.18%
Loss	**0.00%**	0.00%	0.00%
Total	**100.00%**	100.00%	100.00%

During 2009, overall credit quality remained very similar to the prior year. Loans classified as “Acceptable” or “OAEM” were 99.20% at December 31, 2009 and 99.49% at December 31, 2008, and there was a slight increase in "Substandard" loans and slight decrease in "Doubtful" loans. With our borrowers' generally strong financial positions and the continued emphasis on sound underwriting standards, the credit quality of our loan portfolio remains strong. Agriculture remains a cyclical business that is heavily influenced by production, operating costs and commodity prices. Each of these can be significantly impacted by uncontrollable events. While credit quality is anticipated to remain sound in 2010, we expect that the less favorable economic conditions and less favorable government support programs will lead to a weakening in the loan portfolio. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans remained at a low level of .01% at December 2009 compared with .01% at December 31, 2008.

Allowance for Loan Losses

We maintain an allowance for loan losses at a level consistent with the probable losses identified by management. The allowance for loan losses at each period end was considered to be adequate to absorb probable losses existing in the loan portfolio. Because the allowance for loan losses considers factors such as current agricultural and economic conditions, loan loss experience, portfolio quality and loan portfolio composition, there will be a direct impact to the allowance for loan losses and our income statement when there is a change in any of those factors. The following table provides relevant information regarding the allowance for loan losses as of December 31.

	2009	2008	2007
Allowance balance at beginning of the year	**$ 428**	$ 393	$ 406
Charge-offs:			
Production and intermediate-term loans	**(386)**	0	0
Total charge-offs	**$ (386)**	$ 0	$ 0
Recoveries:			
Production and intermediate-term loans	**0**	0	0
Total recoveries	**$ 0**	$ 0	$ 0
Net (Charge-offs)/Recoveries	**$ (386)**	$ 0	$ 0
Provision for loan losses/(Loan loss reversal)	**106**	35	(13)
Balance at December 31	**$ 148**	$ 428	$ 393
Net charge-offs/(Recoveries) to average net loans	**0.23%**	0.00%	0.00%
Allowance for loan loss by loan type:			
Real estate mortgage	**$ 38**	$ 33	$ 45
Production & intermediate-term loans	**110**	395	348
Processing & marketing	**0**	0	0
Farm related business	**0**	0	0
Rural residential real estate	**0**	0	0
Total allowance for loan loss	**$ 148**	$ 428	$ 393

(Dollars in thousands)

The allowance for loan losses decreased $280 from December 31, 2008 to $148 at December 31, 2009. The decrease in allowances consisted of charge-offs of $386 offset by additional provisions for loan losses of $106. Overall, charge-off activity remains low relative to the size of our loan portfolio. Comparative allowance for loan losses coverage as a percentage of loans and certain other credit quality indicators as of December 31 is shown in the following table.

	2009	2008	2007
Allowance as a percentage of:			
Loans	0.08%	0.26%	0.29%
Total impaired loans	157.45%	141.25%	144.09%
Nonaccrual loans	178.31%	141.25%	144.09%

Young, Beginning and Small Farmers and Ranchers Program

As part of the Farm Credit System, we are committed to providing sound and constructive credit to young, beginning and small (YBS) farmers and ranchers. Our YBS Mission Statement is “To reliably, consistently and constructively serve the credit and related needs of young, beginning, small and minority farmers and ranchers through specifically designed credit programs and services. When necessary, private or governmental guarantees will be used to expand the number of young, beginning and small farmers and ranchers that the Association serves.” The FCA regulatory definitions for YBS farmers and ranchers are shown below.

- Young Farmer: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- Beginning Farmer: A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less farming or ranching experience as of the date the loan was originally made.
- Small Farmer: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than $250 thousand in annual gross sales of agricultural or aquatic products at the date the loan was originally made.

The following table outlines our percentage of YBS customers (farm operators) as a percentage of all our customers (farm operators) as of December 31. The USDA column represents the percent of farmers and ranchers (farm operators) classified as YBS within our territory per the 2007 USDA Agricultural Census, which is the most current data available. A borrower may be included in more than one category.

	2009	2008	2007	USDA
Young	**23.43%**	21.95%	22.31%	6.76%
Beginning	**21.11%**	18.20%	17.69%	26.01%
Small	**34.57%**	34.66%	34.10%	85.93%

We establish annual marketing goals to increase market share of loans to YBS farmers and ranchers. Our goals are as follows:

- Offer related services either directly or in coordination with others that are responsive to the needs of YBS farmers and ranchers in our territory;
- Take full advantage of opportunities for coordinating credit and services offered with other system institutions in the territory and other governmental and private sources of credit who offer credit and services to those who qualify as YBS farmers and ranchers in our territory; and,
- Implement effective outreach programs to attract YBS farmers and ranchers.

Status report on above goals:

- The Association continues to offer hail insurance and credit life insurance products to meet the needs of YBS farmers and ranchers.
- The Association has maintained an excellent relationship with the Farm Service Agency (FSA). We presently have 9.24% of our portfolio under FSA guarantees. This program has proven to be very effective in allowing the Association to serve YBS farmers and ranchers.
- Association representatives met with FFA and college classes.
- The Association supplied FFA manuals at a discounted cost and supports youth through the purchase of livestock at county and state fairs.
- The Association has arranged scholarship programs totaling $9,000 (whole dollars) per year with the University of Idaho, Utah State University and BYU-Idaho.
- The Association has approved special loan underwriting standards for lending to YBS borrowers.

Quarterly reports are provided to our Board of Directors detailing the number, volume and credit quality of our YBS customers. We have developed quantitative targets to monitor our progress.

- Loan volume and loan number goals for YBS farmers and ranchers in our territory.
- Percentage goals representative of the demographics of YBS farmers and ranchers in our territory.
- Percentage goals for loans made to new borrowers qualifying as YBS farmers and ranchers in our territory.

The Association met its loan activity goals by number in all categories. The loan activity goals by volume were substantially exceeded in the young and beginning categories while small volume was at 95.6% of the goal. We met our number and volume goals for all three categories to first time borrowers. Regarding YBS loans as a percentage of loans, we met all of our number goals. We met our volume goals for young and beginning loans as a percentage of loans. However, the volume of small loans as a percentage of total loans was just below the Association goal. The demographic goals were met except for small farmers, which was just below the goal. The demographic goals for minority farmers were met.

To ensure that credit and services offered to our YBS farmers and ranchers are provided in a safe and sound manner and within our risk-bearing capacity, we utilize customized loan underwriting standards, loan guarantee programs, fee waiver programs, or other credit enhancement programs. Additionally, we are actively involved in developing and sponsoring educational opportunities, leadership training, business financial training and insurance services for YBS farmers and ranchers.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in our loan portfolio and also in our unfunded loan commitments. Credit risk is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies and procedures.

Underwriting standards are developed and utilized to determine an applicant's operational, financial, and management resources available for repaying debt within the term of the note and loan agreement. Underwriting standards include among other things, an evaluation of:

- character – borrower integrity and credit history;
- capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income;
- capital – ability of the operation to survive unanticipated risks;
- collateral – to protect the lender in the event of default and also serve as a secondary source of loan repayment; and
- conditions – intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds, and subsequent loan servicing actions are established and followed. Underwriting standards vary by industry and are updated periodically to reflect market and industry conditions.

By regulation, we cannot have loan commitments to one borrower for more than 25% of our permanent capital. Through lending delegations, AgBank further restricts individual lending limits to one borrower to 15% of permanent capital, except for certain loans grandfathered with size limits in place prior to the implementation of AgBank's delegation limit. Within these limits, we set our own lending limit to manage loan concentration. We have adopted an individual lending limit of 15% of permanent capital for our highest quality borrowers, and have established lending limits for commodity types and special lending programs, including purchased participation loans.

We have established internal lending delegations to control the loan approval process. Delegations to staff are based on our risk-bearing ability, loan size, complexity, type and risk, as well as the expertise of the credit staff. Larger and more complex loans are typically approved by our loan committee with the most experienced and knowledgeable credit staff serving as members.

The majority of our lending is first mortgage real estate loans which must be secured by a first lien. Production and intermediate-term lending accounts for most of the remaining volume and is also typically secured. Collateral evaluations are made within FCA and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. All collateral evaluations must be performed by a qualified evaluator. Certain appraisals must be performed by individuals with a state certification or license.

We use a Combined System Risk Model (Model) which is a two-dimensional risk rating system that estimates each loan's probability of default and loss given default. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. The Model is utilized in loan and portfolio management processes. It is also used in allowance for loan losses estimates, as it contains much more portfolio granularity, particularly related to acceptable loan classification under the UCS. The Model's 14-point scale provides for nine acceptable categories, one OAEM category, two substandard categories, one doubtful category and one loss category. In addition, this Model serves as the basis for economic capital modeling.

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

RESULTS OF OPERATIONS

Earnings Summary

In 2009, we recorded net income of $1,937, compared with $2,018 in 2008, and $2,814 in 2007. The decrease in net income of $81 in 2009, compared with 2008 was primarily due to higher loan volume and net interest income, offset by higher provisions for loan losses, lower AgBank patronage, higher noninterest expenses (primarily pension costs and Farm Credit Insurance Fund costs), and a slight increase to the provision for income taxes. The following table presents the changes in the significant components of net income at year end.

	2009 vs. 2008	2008 vs. 2007
Net income, prior year	**$ 2,018**	$ 2,814
Increase/(Decrease) from changes in:		
Interest income	**517**	(671)
Interest expense	**382**	510
Net interest income	**899**	(161)
Provision for loan losses	**(71)**	(48)
Noninterest income	**(452)**	(228)
Noninterest expense	**(453)**	(381)
Provision for income taxes	**(4)**	22
Total (decrease)/increase in net income	**(81)**	(796)
Net income, current year	**$ 1,937**	**$ 2,018**

Net Interest Income

Net interest income for 2009 was $4,862 compared with $3,964 for 2008 and $4,125 for 2007. The table below provides an analysis of the individual components of the change in net interest income during 2008 and 2007.

	2009 vs. 2008	2008 vs. 2007
Net interest income, prior year	**$ 3,964**	$ 4,125
Increase/(Decrease) in net interest income from changes in:		
Interest rates earned and paid	**518**	(701)
Interest credits on investment in AgBank	**0**	0
Volume of accruing assets/interest bearing liabilities	**398**	587
Interest income on nonaccrual loans	**(18)**	(47)
Total (decrease)/increase in net interest income	**898**	(161)
Net interest income, current year	**$ 4,862**	$ 3,964

The following table illustrates net interest margin and the average interest rates on loans and debt cost and interest rate spread.

	2009	2008	2007
Net interest margin	**2.90%**	2.85%	3.40%
Interest rate on:			
Average loan volume	**5.51%**	6.25%	7.69%
Average debt	**3.06%**	4.28%	5.45%
Interest rate spread	**2.45%**	1.97%	2.24%

The 5 basis point increase in net interest margin (net interest income as a percent of average earnings assets) was due to the effect of an increase in the interest rate spread offsetting lower earnings on the Association's capital. The 48 basis point increase in interest rate spread resulted from a 74 basis point decrease in interest rate on average loan volume offset by a 122 basis point decrease in interest rates on average debt. The spread paid to AgBank increased 10 basis points effective July 1, 2009. The increase of interest rate spread, even though AgBank increased its spread during the year, reflected overall costs of debt decreasing during the year more than loan rates did, largely as a delayed catch-up to Prime rate changes that had occurred in late 2008.

Provision for Loan Losses/(Loan Loss Reversals)

We review our loan portfolio on a regular basis to determine if any increase through provision for loan losses or decrease through a loan loss reversal in our allowance for loan losses is necessary based on our assessment of the probable losses in our loan portfolio. We recorded a net provision for loan loss of $106 for the year ended December 31, 2009, compared with a net provision for loan loss of $35 in 2008 and loan loss reversal of $13 in 2007. The net provision for loan loss recorded during 2009 was primarily due to loan collection costs incurred and charged off in 2009.

Noninterest Income

During 2009, we recorded noninterest income of $233, compared with $685 in 2008 and $913 in 2007. Prior to 2009, Patronage distributions from AgBank were our primary source of noninterest income. Beginning in 2009, patronage from AgBank, except for certain priority patronage, is to be paid annually rather than quarterly. As a result, our patronage was significantly reduced in 2009, compared with 2008 and 2007. Patronage received was $72 in 2009, $540 in 2008 and $823 in 2007. All patronage was paid in cash. Noninterest income also includes patronage from other Farm Credit associations, loan fees, financially related services income and captive insurance income. Patronage from other Farm Credit associations was $37 in 2009, compared to $57 in 2008, and loan fee income was $73 in 2009 compared to $49 in 2008. The change in patronage from other Farm Credit associations is in line with earnings changes they have had, and the change in loan fee income is in line with the increase in new loan volume. Other sources of noninterest income did not change materially in 2009 from the prior year.

(Dollars in thousands)

Noninterest Expense

Noninterest expense for the year ended December 31, 2009, increased $453, or 17.7%, to $3,014 compared with $2,561 in 2008. Significant components of noninterest expense are compared in the following table.

							Percent of Change	
		2009		2008		2007	**2009/2008**	2008/2007
Salaries and employee benefits	**$**	**2,164**	$	1,776	$	1,737	**21.8%**	2.2%
Occupancy & equipment		**87**		92		85	**(5.4%)**	8.2%
Supervisory & examination costs		**56**		52		56	**7.7%**	(7.1%)
Data processing services		**13**		13		12	**0.0%**	8.3%
Other		**400**		436		412	**(8.3%)**	5.8%
Total operating expense	**$**	**2,720**	$	2,369	$	2,302	**14.8%**	2.9%
Losses(Gains) on other property owned, net		**26**		0		(282)	**N/A**	(100.0%)
Farm Credit Insurance Fund Premium		**268**		192		161	**39.6%**	19.3%
Total noninterest expense	**$**	**3,014**	$	2,561	$	2,181	**17.7%**	17.4%

Salaries and benefits in 2009 were higher due to a combination of much higher than normal pension expense (mostly on retirees), employee incentives related to 2008 loan volume growth and salary changes. The Farm Credit Insurance Fund premium increased $76 in 2009 due to increased loan volume and higher premium rates. As of July 1, 2008 the Farm Credit System Insurance Corporation began charging premiums based on debt rather than loan volume. Rates were increased to 20 basis points during 2009 compared with 15 basis points on debt for the third quarter of 2008 and 18 basis points for the fourth quarter of 2008. Rates were 15 basis points on average loan volume during the first six months of 2008 and during 2007. During 2010, the Farm Credit Insurance Fund premium is anticipated to decrease significantly.

Provision for income taxes

We recorded $38 in provision for income taxes during 2009, compared with $34 in 2008 for the taxable earnings of the Idaho AgCredit, PCA. Tax expense was also impacted by our patronage program. We operate as a Subchapter T cooperative for tax purposes and thus may deduct from taxable income certain amounts that are distributed from net earnings to borrowers. See Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements for details.

LIQUIDITY

Liquidity is necessary to meet our financial obligations in an orderly manner. Obligations that require liquidity include paying our note with AgBank, funding loans and other commitments and funding operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction and liquidate nonearning assets. Even with the volatility in the financial markets, we anticipate liquidity levels will be adequate to meet our obligations.

Funding Sources

Our primary source of liquidity is the ability to obtain funds for operations through a borrowing relationship with AgBank, and our next largest source of liquidity is the repayment of loans as they mature, have payments due, or have other repayments. Our note payable to AgBank is collateralized by a pledge to AgBank of substantially all of our assets. Substantially all cash received is applied to the note payable and all cash disbursements are drawn on the note payable. The indebtedness is governed by a General Financing Agreement (GFA). The GFA is subject to renewal at its expiration date of April 30, 2012 in accordance with normal business practices and annual renewal of the line of credit which expires April 30, 2010. The annual average principal balances of the note payable to AgBank were $140,270 in 2009, $112,107 in 2008, and $97,351 in 2007.

We plan to continue to fund lending operations through the utilization of our borrowing relationship with AgBank, retained earnings from current and prior years and from borrower stock investment. AgBank's primary source of funds is the ability to issue Systemwide Debt Securities to investors through the Federal Farm Credit Bank Funding Corporation. This access has traditionally provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. Although financial markets have experienced significant volatility, we have been able to obtain sufficient funding to support our lending and business operations.

(Dollars in thousands)

Interest Rate Risk

The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with AgBank and allows for loans to be match-funded. Borrowings from AgBank match the pricing, maturity, and option characteristics of our loans to borrowers. AgBank manages interest rate risk through the direct loan pricing and asset/liability management processes. Although AgBank incurs and manages the primary sources of interest rate risk, we may still be exposed to interest rate risk from the impact of interest rate changes on earnings generated from our loanable funds. To stabilize earnings from loanable funds, we have committed a portion of excess funds with AgBank at a fixed rate as a part of AgBank's Earnings Stabilization Management Program (ESMP). This enables us to stabilize earnings without significantly increasing our overall interest rate risk position. The balance of the ESMP commitments and the weighted average interest rate as of December 31 in the various maturities follow.

	2009		2008		2007	
	Balance	**Average Wtd Rate**	Balance	Average Wtd Rate	Balance	Average Wtd Rate
Maturing in 1 year or less	**$ 0**	**0.00%**	$ 4,500	3.50%	$ 3,000	3.41%
Maturing in 1 to 3 years	**2,100**	**2.28%**	0	0.00%	4,500	3.50%
Maturing in over 3 years	**5,000**	**3.20%**	0	0.00%	0	0.00%
Total	**$ 7,100**	**2.93%**	$ 4,500	3.50%	$ 7,500	3.47%

Funds Management

We offer variable, fixed, adjustable, prime-based and LIBOR-based rate loans to borrowers. Our Board of Directors determines the interest rate charged based on the following factors: 1) the interest rate charged by AgBank; 2) our existing rates and spreads; 3) the competitive rate environment; and 4) our earnings objectives.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investment in new products and services. We believe a sound capital position is critical to our long-term financial success due to the volatility in agriculture.

Over the past several years, we have built capital through net income retained after patronage. Shareholders' equity at December 31, 2009 totaled $37,096, compared with $35,877 at December 31, 2008 and $34,768 at December 31, 2007. Capital includes stock purchased by our borrowers and retained earnings accumulated through net income less patronage distributed to borrowers. Our capital position is reflected in the following ratio comparisons as of December 31.

	2009	2008	2007
Debt to shareholders' equity	**4.60:1**	3.93:1	3.23:1
Shareholders' equity as a percent of net loans	**19.19%**	22.10%	26.15%
Shareholders' equity as a percent of assets	**17.86%**	20.28%	23.62%

Debt to shareholders' equity increased and shareholders' equity as a percent of loans and of total assets decreased from 2008 to 2009 primarily due to increases in loan volume.

- There are no material commitments to purchase capital assets.
- There are no material trends or changes in the mix and cost of debt and capital resources.
- There are no material favorable or unfavorable trends in capital resources.
- There are no trends, commitments, contingencies or events that are reasonably likely to have a material adverse effect upon the adequacy of available risk funds.

Retained Earnings

Our retained earnings increased $1,191 to $36,793 at December 31, 2009 from $35,602 at December 31, 2008. The increase was a result of net income of $1,937, partially offset by $746 of patronage distributions declared.

Patronage Program

We have a patronage program that allows us to distribute our available net earnings to our shareholders. This program provides for the application of net earnings in the manner described in our Bylaws. In addition to determining the amount and method of patronage to be distributed, this includes increasing surplus to meet capital adequacy standards established by Regulations; increasing surplus to a level necessary to support competitive pricing at targeted earnings levels; and increasing surplus for reasonable reserves. Patronage dividends are based on business done with us during the year. We declared patronage of $746 for 2009, compared to $930 for 2008, and $1,068 for 2007. All patronage paid for these years was or will be paid in cash.

Stock

Our total stock and participation certificates increased $28 to $303 at December 31, 2009, from $275 at December 31, 2008. The increase was due to $145 of stock issuances, partially offset by $117 of stock retirements. We require a stock or participation certificate investment for each borrower, with the exception of Sales Contracts and Participations Purchased. The current initial investment requirement is the lesser of one thousand dollars or 2.0% of the amount of the borrower's combined loan volume.

(Dollars in thousands)

Accumulated Other Comprehensive Income and Losses (AOCI)
Certain employees participate in a non-qualified Defined Benefit Pension Restoration Plan (Plan). On December 31, 2007, the Association adopted a FASB disclosure which requires recognition of the Plan's unamortized actuarial gains and losses and prior service costs or credits as a liability with an offsetting adjustment to AOCI. During 2007, the AOCI related to the unfunded portion of a qualified pension plan was transferred to the District combined financial statements in conjunction with adoption of the FASB disclosure at the District level.

Capital Plan and Regulatory Requirements
Our Board of Directors establishes a formal capital adequacy plan that addresses capital targets in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved by our Board of Directors. FCA regulations require the plan consider the following factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance sheet liabilities and other conditions warranting additional capital.

FCA regulations establish minimum capital standards expressed as a ratio of capital to assets, taking into account relative risk factors for all System institutions. In general, the regulations provide for a relative risk weighting of assets and establish a minimum ratio of permanent capital, total surplus and core surplus to risk-weighted assets. Our capital average ratios as of December 31 and the FCA minimum requirements follow.

	2009	2008	2007	Regulatory Minimum
Permanent capital ratio	**19.22%**	22.97%	26.05%	7.00%
Total surplus ratio	**19.04%**	22.78%	25.85%	7.00%
Core surplus ratio	**16.02%**	18.27%	20.11%	3.50%

As of December 31, 2009, we exceeded the regulatory minimum and are expected to do so throughout 2010. However, the minimum ratios established were not meant to be adopted as the optimum capital level, so we have established goals in excess of the regulatory minimum. As of December 31, 2009, we have exceeded our ratio goal, but not our dollar goal. The board has established a plan of retaining an amount of earnings each year until the dollar goal is reached. Due to our strong capital position, we will continue to be able to retire at-risk stock.

REGULATORY MATTERS

As of December 31, 2009, we had no enforcement actions in effect and FCA took no enforcement actions on us during the year.

On October 31, 2007, the Farm Credit Administration published an advance notice of proposed rulemaking in the Federal Register with respect to the consideration of possible modifications to the Farm Credit Administration's risk-based capital rules for Farm Credit System institutions that are similar to the standardized approach delineated in the Basel II Framework. The Farm Credit Administration requested comments to facilitate the development of a proposed rule that would enhance its regulatory capital framework and more closely align minimum capital requirements with risks taken by System institutions. Comments on the advance notice of proposed rulemaking were due no later than December 31, 2008. Final action is planned for the second quarter of 2010.

On June 16, 2008, the Farm Credit Administration published a proposed rule in the Federal Register that would authorize Banks, Associations or service corporations to invest in rural communities, i.e., communities that have fewer than 50,000 residents and are outside of an urbanized area, under certain conditions. The proposed rule would authorize two types of rural community investments: (1) investment in debt securities that would involve projects or programs that benefit the public in rural communities, and (2) equity investment in venture capital funds, which funds create economic opportunities and jobs in rural communities by providing capital to small or start-up businesses. Under the proposed rule, these investments would be limited to 150% of the institution's total surplus. The comment period closed August 15, 2008. Final action is planned for the second quarter of 2010.

LITIGATION

There are no legal actions pending against the Association in which claims for money damages are asserted.

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

GOVERNANCE

Board of Directors

We are governed by a seven member board that oversees the management of our Association. Of these directors, five are elected by the shareholders and two are appointed by the elected directors. The Board of Directors represents the interests of our shareholders. The Board of Directors meets regularly to perform the following functions, among others:

- selects, evaluates and compensates the chief executive officer;
- establishes the strategic plan and approves the annual operating plan and budget;
- oversees the lending operations;
- advises and counsels management on significant issues we face; and
- oversees the financial reporting process, communications with shareholders and our legal and regulatory compliance.

Director Independence

All directors must exercise sound judgment in deciding matters in our interest. All our directors are independent from the perspective that none of our management or staff serve as Board members. However, we are a financial service cooperative, and the Farm Credit Act and FCA Regulations require our elected directors to have a loan relationship with us.

Directors who are borrowers have a vested interest in ensuring our Association remains strong and successful. However, our borrowing relationship could be viewed as having the potential to compromise the independence of a director. For this reason, the Board has established independence criteria to ensure that a loan relationship does not compromise the independence of our Board. Annually, in conjunction with our independence analysis and reporting on our loans to directors, each director provides financial information and any other documentation and/or assertions needed for the Board to determine the independence of each Board member.

Audit Committee

The Audit Committee is responsible for assisting the Board. The Committee is composed of all members of the Board. During 2009, eight meetings were held. The Audit Committee responsibilities include, but are not limited to:

- the hiring of independent auditors;
- the oversight of the financial reporting risk and the accuracy of the quarterly and annual shareholder reports;
- the oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;
- the review and assessment of the impact of accounting and auditing developments on the consolidated financial statements; and
- the establishment and maintenance of procedures for the receipt, retention and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls and auditing matters.

Compensation Committee

The Compensation Committee is responsible for the oversight of employee and director compensation. The Committee is composed of the full Board. The Committee annually reviews and evaluates the compensation policies and plans for senior officers and employees and approves the overall compensation program for senior officers and employees, including benefits programs.

Other Governance

The Board has monitored the requirements of public companies under the Sarbanes-Oxley Act. While we are not subject to the requirements of this law, we are striving to implement steps to strengthen governance and financial reporting. We strive to maintain strong governance and financial reporting through the following actions:

- a system for the receipt and treatment of whistleblower complaints;
- a code of ethics for our President/CEO, Chief Financial Officer and Chief Credit Officer;
- open lines of communication between the independent auditors, management, and the Audit Committee;
- “plain English” disclosures;
- officer certification of accuracy and completeness of the consolidated financial statements; and
- information disclosure through our website.

FORWARD-LOOKING INFORMATION

Our discussion contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as “anticipates,” “believes,” “could,” “estimates,” “may,” “should,” and “will” or other variations of these terms are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;

- changes in United States government support of the agricultural industry and/or the Farm Credit System; and
- actions taken by the Federal Reserve System in implementing monetary policy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are based on accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because we have to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements. The following is a summary of certain critical policies.

Allowance for Loan Losses

The allowance for loan losses is our best estimate of the amount of probable losses existing in and inherent in our loan portfolio as of the balance sheet date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. We determine the allowance for loan losses based on a periodic evaluation of the loan portfolio, which generally considers recent historic charge-off experience adjusted for relevant factors.

Loans are evaluated based on the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantor; and, if appropriate, the estimated net realizable value of any collateral. The allowance for loan losses attributable to these loans is established by a process that estimates the probable loss inherent in the loans, taking into account various historical and projected factors, internal risk ratings, regulatory oversight, and geographic, industry and other factors.

Changes in the factors we consider in the evaluation of losses in the loan portfolios could occur for various credit related reasons and could result in a change in the allowance for loan losses, which would have a direct impact on the provision for loan losses and results of operations. See Note 3, Loans and Allowance for Loan Losses, of the Notes to Consolidated Financial Statements for detailed information regarding the allowance for loan losses.

CUSTOMER PRIVACY

FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers and employees. FCA regulations specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

GALUSHA HIGGINS & GALUSHA

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Certified Public Accountants and Advisors

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Idaho Agricultural Credit Association

We have audited the accompanying consolidated balance sheets of Idaho Agricultural Credit Association, a federally chartered institution, (the Association) as of December 31, 2009, 2008, and 2007, and the related statements of income, changes in members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Idaho Agricultural Credit Association as of December 31, 2009, 2008, and 2007, and the results of their operation and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 5-19 and the Disclosure Information on pages 37-40 is not a required part of the basic financial statements but is supplementary information required by Farm Credit Administration Regulations. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Galusha, Higgins & Galusha, P.C.

GALUSHA, HIGGINS & GALUSHA, P.C.
Certified Public Accountants

Idaho Falls, Idaho
February 17, 2010

Idaho Agricultural Credit Association
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	December 31		
	2009	2008	2007
ASSETS			
Loans	**$ 193,421,870**	$ 162,775,376	$ 133,359,144
Less allowance for loan losses	**148,275**	427,777	393,012
Net loans	**193,273,595**	162,347,599	132,966,132
Cash	**955,183**	996,946	912,458
Accrued interest receivable	**3,473,519**	3,422,224	3,175,330
Investment in U.S. AgBank, FCB	**9,483,280**	9,483,280	9,483,310
Premises and equipment, net	**133,548**	169,890	187,052
Other property owned	**0**	0	0
Deferred tax asset	**254,800**	293,100	327,100
Other assets	**124,461**	162,748	137,922
Total assets	**$ 207,698,386**	$ 176,875,787	$ 147,189,304
LIABILITIES			
Note payable to U.S. AgBank, FCB	**$ 166,298,383**	$ 136,195,681	$ 107,146,748
Advance conditional payments	**2,390,904**	2,777,999	2,826,266
Accrued interest payable	**355,440**	396,804	437,012
Patronage distributions payable	**745,786**	929,658	1,068,110
Pension liability	**253,654**	184,494	463,134
Other liabilities	**558,611**	514,338	480,487
Total liabilities	**170,602,778**	140,998,974	112,421,757
Commitments and Contingencies (See Notes)			
SHAREHOLDERS' EQUITY			
Capital stock and participation certificates	**303,100**	275,200	254,780
Allocated retained earnings	**0**	0	0
Unallocated retained earnings	**36,792,508**	35,601,613	34,512,767
Accumulated other comprehensive income/(loss)	**0**	0	0
Total shareholders' equity	**37,095,608**	35,876,813	34,767,547
Total liabilities and shareholders' equity	**$ 207,698,386**	$ 176,875,787	$ 147,189,304

The accompanying notes are an integral part of these financial statements

Idaho Agricultural Credit Association
CONSOLIDATED STATEMENT OF INCOME

	For the Year Ended December 31		
	2009	2008	2007
INTEREST INCOME			
Loans	**$ 9,275,724**	$ 8,759,123	$ 9,430,227
Other	**0**	0	0
Total interest income	**9,275,724**	8,759,123	9,430,227
INTEREST EXPENSE			
Note payable to U.S. AgBank, FCB	**4,392,533**	4,662,678	5,172,935
Advance conditional payments	**21,140**	132,880	132,493
Total interest expense	**4,413,673**	4,795,558	5,305,428
Net interest income	**4,862,051**	3,963,565	4,124,799
(Provision for) or Reversal of loan losses	**(105,917)**	(34,765)	12,779
Net interest income after loan loss (provision)/reversal	**4,756,134**	3,928,800	4,137,578
NONINTEREST INCOME			
Patronage distributions from U.S. AgBank, FCB	**72,360**	539,559	822,739
Patronage distributions from PCA/FLCA Associations	**37,448**	56,667	0
Loan fees	**73,141**	48,721	45,812
Financially related services income	**36,501**	24,960	26,037
Other noninterest income	**13,442**	14,631	18,528
Total noninterest income	**232,892**	684,538	913,116
NONINTEREST EXPENSE			
Salaries and employee benefits	**2,164,420**	1,776,113	1,737,094
Occupancy and equipment	**86,685**	92,153	83,902
Farm Credit Insurance Fund premium	**268,163**	191,898	160,762
Supervisory and examination costs	**55,892**	51,908	55,803
Data processing services	**12,280**	12,783	12,240
Losses/(Gains) on other property owned, net	**26,117**	0	(281,541)
Other noninterest expense	**400,488**	436,006	412,413
Total noninterest expense	**3,014,045**	2,560,861	2,180,673
Income/(loss) before income taxes	**1,974,981**	2,052,477	2,870,021
(Provision for)/Benefit from income taxes	**(38,300)**	(34,000)	(55,648)
Net income/(loss)	**$ 1,936,681**	$ 2,018,477	$ 2,814,373

The accompanying notes are an integral part of these financial statements

Idaho Agricultural Credit Association
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2006	$ 239,995	$ 32,766,507	$ (263,437)	$ 32,743,065
Comprehensive income				
Net income		2,814,373		2,814,373
Minimum pension liability adjustment		(3)	263,437	263,434
Total comprehensive income				3,077,807
Stock issued	135,005			135,005
Stock retired	(120,220)			(120,220)
Patronage distributions:				
Cash		(1,068,110)		(1,068,110)
Allocated retained earnings				
Balance at December 31, 2007	$ 254,780	$ 34,512,767	$ 0	$ 34,767,547
Comprehensive income				
Net income		2,018,477		2,018,477
Minimum pension liability adjustment				0
Total comprehensive income				2,018,477
Stock issued	129,370			129,370
Stock retired	(108,950)			(108,950)
Patronage distributions:				
Cash		(929,631)		(929,631)
Allocated retained earnings				
Balance at December 31, 2008	**$ 275,200**	**$ 35,601,613**	**$ 0**	**$ 35,876,813**
Comprehensive income				
Net income		1,936,681		1,936,681
Minimum pension liability adjustment				0
Total comprehensive income				1,936,681
Stock issued	145,430			145,430
Stock retired	(117,530)			(117,530)
Patronage distributions:				
Cash		(745,786)		(745,786)
Allocated retained earnings				
Balance at December 31, 2009	**$ 303,100**	**$ 36,792,508**	**$ 0**	**$ 37,095,608**

The accompanying notes are an integral part of these financial statements

Idaho Agricultural Credit Association
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES:	**2009**	2008	2007
Net income	**$ 1,936,681**	$ 2,018,477	$ 2,814,373
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	**38,742**	53,013	57,318
(Loan loss reversal)/Provision for loan losses	**105,917**	34,765	(12,779)
Patronage stock from U.S. AgBank, FCB	**0**	0	0
Carrying value adjustment on property owned	**0**	0	(6,557)
Non-accrual interest income on transfer to owned property	**0**	0	0
(Gains)/Losses on sales of other property owned	**26,117**	0	(281,541)
Other, net	**0**	0	0
Change in assets and liabilities:			
(Increase)/Decrease in deferred tax asset	**38,300**	34,000	15,500
(Increase)/Decrease in accrued interest receivable	**(51,295)**	(246,894)	(99,959)
(Increase)/Decrease in other assets	**38,288**	(24,795)	(20,470)
Increase/(Decrease) in accrued interest payable	**(41,364)**	(40,208)	34,969
Increase/(Decrease) in postretirement benefits	**69,160**	(278,640)	(5,234)
Increase/(Decrease) in other liabilities	**44,273**	33,852	55,992
Total adjustments	**268,138**	(434,907)	(262,761)
Net cash provided by/(used in) operating activities	**2,204,819**	1,583,570	2,551,612
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase)/Decrease in loans, net	**(31,031,914)**	(29,416,233)	(14,801,725)
(Increase)/Decrease in investment in U.S. AgBank, FCB	**0**	0	30
Purchases of premises and equipment	**$ (2,400)**	(35,851)	(68,527)
Proceeds from sales of premises and equipment	**0**	0	6,557
Settlement distribution	**(50,000)**	0	0
Proceeds from sales of other property owned	**23,883**	0	669,516
Net cash provided by/(used in) investing activities	**(31,060,431)**	(29,452,084)	(14,194,149)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayment of)/draw on note payable to U.S. AgBank, FCB	**30,102,702**	29,048,933	9,804,820
Increase/(Decrease) in advance conditional payments	**(387,095)**	(48,267)	1,617,271
Capital stock and participation certificates retired	**(117,530)**	(108,950)	(120,220)
Capital stock and participation certificates issued	**145,430**	129,370	135,005
Cash patronage distributions paid	**(929,658)**	(1,068,084)	0
Net cash provided by/(used in) financing activities	**28,813,849**	27,953,002	11,436,876
Net (decrease)/increase in cash	**(41,763)**	84,488	(205,661)
Cash at beginning of year	**996,946**	912,458	1,118,119
Cash at end of year	**$ 955,183**	$ 996,946	$ 912,458
SUPPLEMENTAL CASH INFORMATION:			
Cash paid/(received) during the year for:			
Interest	**$ 4,455,036**	$ 4,835,766	$ 5,270,460
Income taxes	**0**	19,068	81,460
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Financed sales of other property owned	**$ 0**	$ 0	$ 0
Loans transferred to other property owned	**0**	0	0
Net charge-offs/(recoveries)	**385,418**	0	0
Premises and equipment acquired under capital leases	**0**	0	0
Patronage distributions payable	**745,786**	929,658	1,068,110
Change in other comprehensive income/(loss)	**0**	0	263,437

The accompanying notes are an integral part of these financial statements

Idaho Agricultural Credit Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OPERATIONS

A. **Organization:** Idaho Agricultural Credit Association and its subsidiaries Idaho AgCredit, PCA and Idaho AgCredit, FLCA, (collectively called "the Association") are member-owned cooperatives which provide credit and credit-related services to or for the benefit of eligible borrowers/shareholders for qualified agricultural purposes in the Idaho counties of Bannock, Bear Lake, Blaine, Bingham, Bonneville, Butte, Camas, Caribou, Cassia, Clark, Custer, Franklin, Fremont, Gooding, Jefferson, Jerome, Lemhi, Lincoln, Madison, Minidoka, Oneida, Power, Teton, and Twin Falls, and that part of Owyhee County commencing at the southwest corner of Twin Falls County, Idaho, thence west along the north boundary line of the state of Nevada, to the southwest corner of Section Thirty-four, Township Sixteen South, Range Seven East, Boise Meridian, thence north to the northwest corner of Section Three, Township Ten South, Range Seven East, Boise Meridian, thence east to the boundary line of Twin Falls County, Idaho, thence south to the point of beginning; and in the state of Wyoming, all of Teton county and that portion of Lincoln county north of the forty-second parallel.

The Association is a lending institution of the Farm Credit System (the System), a nationwide system of cooperatively owned Banks and Associations, which was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act). The most recent significant amendment to the Farm Credit Act was the Agricultural Credit Act of 1987. At December 31, 2009, the System was comprised of four Farm Credit Banks, one Agricultural Credit Bank and more than 80 associations.

U.S. AgBank, FCB (AgBank) and its related associations and AgVantis, Inc. (AgVantis) are collectively referred to as the District. AgBank provides the majority of funding to associations within the District and is responsible for supervising certain activities of the District associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to AgBank and certain associations. On December 31, 2009, the District consisted of AgBank, 24 Agricultural Credit Association (ACA) parent companies, which each have two wholly owned subsidiaries, (a Federal Land Credit Association (FLCA) and a Production Credit Association (PCA)), two FLCAs and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and the PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of the associations and certain actions by the associations are subject to the prior approval of the FCA and/or AgBank.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected stock at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for discretionary use by the Insurance Corporation in providing assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System Bank has been required to pay premiums into the Insurance Fund based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as two percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate amount as the Insurance Corporation in its sole discretion determines is actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, but it still must ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount. AgBank passes this premium expense through to the Association based on the Association's average adjusted note payable with AgBank.

B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services which can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association also offers credit life insurance and crop insurance.

The Association's financial condition may be impacted by factors affecting AgBank. Certain District expenses are allocated to the associations. Disclosure of certain accounting policies related to these costs is included in the U.S. AgBank District Annual Report to Shareholders (District's Annual Report). The District's Annual Report is available free of charge on AgBank's website, www.usagbank.com, or may be obtained at no charge by contacting Idaho AgCredit, 188 W. Judicial, PO Box 985, Blackfoot, Idaho 83221 or calling (208) 785-1510. Association shareholders will be provided with a copy of the District's Annual Report, which includes the combined financial statements of AgBank and its related associations and AgVantis, upon request. The District's Annual Report discusses the material aspects of the District's financial condition, changes in financial condition and results of operations. In addition, the District's Annual Report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Corporation. The lending and financial services offered by AgBank are described in Note 1 of the District's Annual Report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes as applicable. Actual results may differ from these estimates. Certain amounts in prior years' financial statements have been reclassified to conform to the current financial statement presentation.

The consolidated financial statements include the accounts of Idaho Agricultural Credit Association and its wholly owned subsidiaries, Idaho AgCredit, PCA and Idaho AgCredit, FLCA. All significant inter-company transactions have been eliminated in consolidation.

A. **Recently Issued or Adopted Accounting Pronouncements:** In June 2009, the Financial Accounting Standards Board (FASB) issued “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles.” This Codification became the source of authoritative U.S. generally accepted accounting principles recognized by the FASB. On the effective date of this Statement, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification became non-authoritative. This Statement was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Association adopted the codification in the third quarter of 2009 with no impact on the Association's financial statements, but the adoption resulted in changes to disclosures.

   In May 2009, the FASB issued guidance on “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. Non-recognized 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 guidance, which includes a required disclosure of the date through which an entity has evaluated subsequent events, was effective for interim or annual periods ending after June 15, 2009. The adoption of this guidance had no impact on the Association's financial statements, but did result in additional disclosure.

   In addition, in April 2009, the FASB issued guidance on "Interim Disclosures about Fair Value of Financial Instruments". This requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The guidance was effective for interim periods ending after June 15, 2009. The Association has incorporated the required disclosures into the notes to financial statements.

B. **Loans and Allowance for Loan Losses:** Long-term real estate mortgage loans generally have maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans made for agricultural production or operating purposes have maturities of ten years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

   Loan origination fees and direct loan origination costs are expensed as incurred. This treatment does not result in a material difference versus capitalizing such costs where the net fee or cost is amortized over the life of the related loan as an adjustment to yield.

   Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan. Impaired loans include nonaccrual loans, restructured loans and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

   Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately collateralized and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) and/or included in the recorded investment asset balance or charged against the allowance for loan losses (if accrued in prior years).

   When loans are in nonaccrual status, loan payments are generally applied against the recorded investment in the loan asset. Nonaccrual loans may, at times, be maintained on a cash basis. Generally, cash basis refers to the recognition of interest income from cash payments received on certain nonaccrual loans for which the collectability of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered charge-off associated with it. Nonaccrual loans may be returned to accrual status when all contractual principal and interest payments are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected and the loan is not classified Doubtful or Loss. Loans are charged-off at the time they are determined to be uncollectible.

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, collateral value, portfolio quality, current production conditions and prior loan loss experience. It is based on estimates, appraisals and evaluations of loans which, by their nature, contain elements of uncertainty and imprecision. The possibility exists that changes in the economy and its impact on borrower repayment capacity will cause these estimates, appraisals and evaluations to change.

C. **Cash:** Cash, as included in the consolidated financial statements, represents cash on hand and on deposits at banks.

D. **Investment in AgBank:** The Association's investment in AgBank is in the form of Class A Stock. The minimum required investment in AgBank is 5.00 percent of average direct loan volume, net of excess investment. During March 2007, AgBank issued preferred stock and reduced the Association's required investment in AgBank from 6.25 percent to 5.00 percent effective April 2007. The Association did not receive a cash redemption for this transaction; however, the then excess investment in AgBank was transferred from required investment to excess investment, both of which are included in Investment in AgBank on the Consolidated Statement of Financial Condition. The required investment will be adjusted on a quarterly basis to reflect changes in direct loan volume. The required investment may consist of AgBank surplus attributed to the Association, patronage based stock and purchased stock.

E. **Premises and Equipment:** Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense and improvements are capitalized.

F. **Other Property Owned:** Other property owned, consisting of real and personal property acquired through a collection action, is recorded at fair value less estimated selling costs upon acquisition. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in (gains)/losses on other property owned, net.

G. **Other Assets and Other Liabilities:** Other assets are comprised primarily of accounts receivable, prepaid expenses, and investment in Farm Credit institutions. Significant components of other liabilities primarily include accounts payable and accrued annual leave.

H. **Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. Amounts received on short-term, intermediate-term, and long-term loans are recorded in the Consolidated Statement of Financial Condition as liabilities and represent borrower payments for future loan payments, other loanable purposes, or other special uses. Access to these funds is limited by an agreement between the borrower and the Association. Advance conditional payments are not insured. Interest is generally paid by the Association on advance conditional payments.

I. **Employee Benefit Plans:** Substantially all employees of the Association participate in the Eleventh District Defined Benefit Retirement Plan (Defined Benefit Plan) and/or the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan). The Defined Benefit Plan is a noncontributory plan. Benefits are based on salary and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. Detailed financial information for the Defined Benefit Plan may be found in the District's Annual Report. The Defined Benefit Plan was closed to new participants beginning January 1, 1998.

The Defined Contribution Plan has two components. Employees who do not participate in the Defined Benefit Plan may receive benefits through the Employer Contribution portion of the Defined Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employees hired on or after January 1, 1998 are eligible to participate only in the Defined Contribution Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also provides certain health and life insurance benefits to eligible current and retired employees through the Farm Credit Foundation Retiree Medical and Retiree Life Plans. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service.

J. **Patronage Distribution from AgBank:** Patronage distributions are made by AgBank annually, except for certain priority patronage. The Association records patronage distributions from AgBank upon receipt of the distribution.

K. **Income Taxes:** As previously described, the ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through a wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to federal income taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state or local laws.

The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association 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. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts reflected in the consolidated financial statements and tax bases of assets and liabilities. In addition, a valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

No provision for deferred income taxes has been made by the Association on approximately $7,344,200 of patronage stock distributions received from AgBank prior to January 1, 1993, the adoption date of SFAS No. 109. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. Management's intent is to permanently invest these undistributed earnings in AgBank, thereby indefinitely postponing their conversion to cash, or to pass through any distribution related to pre-1993 earnings to Association borrowers through qualified patronage allocations.

The Association has not provided deferred income taxes on amounts allocated to the Association which relate to AgBank's post-1992 earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Deferred income taxes have not been provided on approximately $2,139,080 of patronage refunds distributed to the taxable PCA by AgBank after December 31, 1992. Additionally, deferred income taxes have not been provided on AgBank's post-1992 unallocated earnings. AgBank currently has no plans to distribute unallocated AgBank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

The Idaho State Tax Commission made a declaratory ruling for Northwest Farm Credit Services ACA, indicating that it was not subject to Idaho income taxes. The ruling was based on Idaho Code Sec. 63-3025B. The Association is not subject to State of Idaho income taxes based on the above statute and declaratory ruling. No state income tax provision has been made.

L. **Other Comprehensive Income/Loss:** Other comprehensive income/(loss) refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of shareholders' equity but are excluded from net income. The Association records other comprehensive income/(loss) associated with liability under the Pension Restoration Plan.

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows as of December 31.

	2009	2008	2007
Real estate mortgage	**$ 106,554,086**	$ 97,383,586	$ 73,253,812
Production and intermediate-term	**84,803,185**	63,386,700	56,252,855
Agribusiness:			
Processing and marketing	**635,510**	784,549	2,841,579
Farm related business	**1,429,079**	1,067,184	955,079
Rural residential real estate	**10**	153,357	55,819
Total loans	**$ 193,421,870**	$ 162,775,376	$ 133,359,144

The Association currently has no loans to cooperatives and no aquatic, communication, energy, water/waste disposal, mission-related, international, or lease receivable loans.

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses. All results are shown net of participations sold.

(dollars in thousands)	**December 31, 2009**		December 31, 2008		December 31, 2007	
Commodity	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Potatoes	**$ 50,870**	**26.3%**	$ 39,392	24.2%	$ 38,274	28.7%
Grain (wheat, malt and feed barley)	**38,878**	**20.1%**	38,903	23.9%	25,605	19.2%
Cash Rent	**20,696**	**10.7%**	19,207	11.8%	15,603	11.7%
Beef cattle	**17,408**	**9.0%**	12,045	7.4%	11,069	8.3%
Hay	**15,087**	**7.8%**	9,929	6.1%	8,268	6.2%
Milk and dairy cattle	**14,893**	**7.7%**	13,348	8.2%	10,669	8.0%
Sugar beets	**11,992**	**6.2%**	7,976	4.9%	7,735	5.8%
Other	**23,598**	**12.2%**	21,975	13.5%	16,135	12.1%
Total	**$ 193,422**	**100.0%**	$ 162,775	100.0%	$ 133,358	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on policies set by the board and management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland, machinery and equipment and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (97% if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

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 table presents information relating to impaired loans including accrued interest as of December 31.

Nonaccrual loans:	**2009**	2008	2007
Current as to principal and interest	**$ 2,959**	$ 10	$ 50,963
90 days or more past due	**80,198**	302,974	221,795
Total nonaccrual loans	**83,157**	302,984	272,758
Impaired accrual loans:			
90 days or more past due	**11,491**	0	0
Total impaired accrual loans	**11,491**	0	0
Total impaired loans	**$ 94,648**	$ 302,984	$ 272,758

There were no loans classified as accruing restructured for the years presented. There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2009.

Interest income is recognized and cash payments are applied on nonaccrual impaired loans as described in Note 2. The following table presents interest income recognized on impaired loans and average impaired loans for the year ended December 31.

	2009	2008	2007
Interest income recognized on nonaccrual loans	**$ 49,179**	$ 63,836	$ 110,962
Interest income on impaired accrual loans	**0**	0	0
Interest income recognized on impaired loans	**$ 49,179**	$ 63,836	$ 110,962
Average impaired loans	**$ 88,258**	$ 293,649	$ 329,418

The following table presents information concerning impaired loans as of December 31.

	2009	2008	2007
Impaired loans with related allowance	**$ 11,491**	$ 302,974	$ 245,635
Impaired loans with no related allowance	**83,157**	10	27,123
Total impaired loans	**$ 94,648**	$ 302,984	$ 272,758
Allowance on impaired loans	**$ 12**	$ 302,974	$ 245,635

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans follows for the year ended December 31.

	2009	2008	2007
Interest income which would have been recognized under the original loan terms	**$ 28,665**	$ 106,278	$ 139,042
Less: interest income recognized	**49,179**	63,836	110,962
Foregone (additional nonaccrual) interest income	**$ (20,514)**	$ 42,442	$ 28,080

A summary of the changes in the allowance for loan losses follows for the year ended December 31.

	2009	2008	2007
Balance at beginning of year	**$ 427,777**	$ 393,012	$ 405,791
Charge-offs (Production and intermediate term)	**(385,418)**	0	0
Recoveries (Production and intermediate term)	**0**	0	0
Provision for or (Reversal of) loan losses	**105,916**	34,765	(12,779)
Balance at end of year	**$ 148,275**	$ 427,777	$ 393,012
Net charge-offs/(Recoveries) to average net loans	**0.23%**	0.00%	0.00%

A breakdown of the allowance for loan losses follows as of December 31.

	2009		2008		2007	
	Amount	**Percent**	Amount	Percent	Amount	Percent
Real estate mortgage	**$ 38,092**	**25.69%**	$ 32,509	7.60%	$ 45,134	11.48%
Production and intermediate term	**109,687**	**73.98%**	395,131	92.37%	347,852	88.51%
Agribusiness	**496**	**0.33%**	40	0.01%	26	0.01%
Rural residential real estate	**0**	**0.00%**	97	0.02%	0	0.00%
Total	**$ 148,275**	**100.00%**	$ 427,777	100.00%	$ 393,012	100.00%

To mitigate the risk of loan losses, the Association may enter into long-term standby commitment to purchase agreements with the Federal Agricultural Mortgage Corporation (Farmer Mac). The agreements, which are effectively credit guarantees that will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of default, (typically four months past due), subject to certain conditions. The balance of loans under long-term standby commitments was $12,000,000 at December 31, 2009, $12,000,000 at December 31, 2008, and $0 at December 31, 2007. Fees paid to Farmer Mac for such commitments totaled $48,000 during 2009, $20,000 during 2008, and $0 during 2007. These amounts are classified as noninterest expense.

NOTE 4 – INVESTMENT IN AGBANK

The Association is required to maintain an investment in AgBank equal to 5.00 percent of average direct loan volume, net of excess investment. The Association's investment in AgBank may consist of AgBank surplus attributed to the Association, patronage based stock and purchased stock. The investment in AgBank is adjusted on a quarterly basis to reflect changes in direct loan volume, attributed surplus and stock investment balances. If needed to meet capital adequacy requirements, AgBank may require the Association to purchase at-risk stock subject to a limit of one percent of the Association's average Direct Loan Volume in a twelve month period.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following as of December 31.

	2009	2008	2007
Land	**$ 53,610**	$ 53,610	$ 53,610
Buildings and improvements	**523,787**	523,787	523,267
Furniture and equipment	**419,069**	417,740	417,067
Automobiles	**132,055**	132,055	114,358
	$ 1,128,521	$ 1,127,192	$ 1,108,302
Less: accumulated depreciation	**994,973**	957,302	921,250
Total	**$ 133,548**	$ 169,890	$ 187,052

The Association has an operating lease on its Twin Falls office which expires in 2012, with minimum annual lease payments of about $14,000.

NOTE 6 – OTHER PROPERTY OWNED

(Gains)/Losses on other property owned, net as reflected on the Statement of Income consists of the following for the year ended December 31.

	2009	2008	2007
(Gains)/Losses on sale, net	**$ (23,883)**	$ 0	$ (293,471)
Operating (income)/expense, net	**50,000**	0	11,930
(Gains)/Losses on other property owned, net	**$ 26,117**	$ 0	$ (281,541)

NOTE 7 – NOTES PAYABLE TO AGBANK

The Association's indebtedness to AgBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets to AgBank and is governed by a General Financing Agreement (GFA), which provides a $170 million line-of-credit. The GFA and promissory note are subject to periodic renewals in the normal course of business. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2009. Substantially all borrower loans are match-funded with AgBank. Payments and disbursements are made on the note payable to AgBank on the same basis the Association collects payments from and disburses on borrower loans. The interest rate may periodically be adjusted by AgBank based on the terms and conditions of the borrowing. The weighted average interest rate was 3.05 percent for the year ended December 31, 2009. The line of credit expires on April 30, 2010; however, the Association expects renewal of the line of credit. Upon expiration of the line of credit, undisbursed amounts available under the line of credit expire. So long as the Association is not in material default under the GFA, AgBank will continue to make advances (that do not exceed the amount payable under the promissory note) for undisbursed outstanding commitments on borrower loans which are not in default. The note payable to AgBank will continue until it has been fully discharged.

The Association has the opportunity to commit funds with AgBank in the Earnings Stabilization Management Program at a fixed rate for a specified timeframe. Participants in the program receive a fixed rate credit on the committed funds balance classified as a reduction of interest expense. These funds, which are netted against the note payable to AgBank, are shown in the following table as of December 31.

	2009	2008	2007
Committed funds	**$ 7,100,000**	$ 4,500,000	$ 7,500,000
Weighted Average rates	**2.93%**	3.50%	3.47%

Under the Farm Credit Act, the Association is obligated to borrow only from AgBank, unless AgBank gives approval to borrow elsewhere. AgBank, consistent with FCA regulations, has 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 December 31, 2009, the Association's notes payable are within the specified limitations.

NOTE 8 – SHAREHOLDERS' EQUITY

A description of the Association's capitalization, protection mechanisms, regulatory capitalization requirements and restrictions, and equities is provided below.

A. **Capital Stock and Participation Certificates:** In accordance with the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. Capitalization bylaws allow stock requirements to range from the lesser of one thousand dollars or 2.00% of the amount of the loan to 8.00% of the loan. The Board of Directors has the authority to change the minimum required stock level of a shareholder as long as the change is within this range. Currently, the Association has a stock requirement of the lesser of one thousand dollars or 2.00% of the borrower's combined loan volume.

   The borrower acquires ownership of the stock or participation certificates at the time the loan is made, but usually does not make a cash investment; the aggregate par value is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan cannot automatically result in retirement of the corresponding stock or participation certificates.

B. **Regulatory Capitalization Requirements and Restrictions:** The FCA's capital adequacy regulations require the Association to maintain permanent capital of 7.00% of risk-adjusted assets and off-balance sheet commitments. Failure to meet this requirement can initiate certain mandatory and possibly additional discretionary actions by FCA that, if undertaken, could have a direct material effect on the Association's consolidated financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to shareholders unless prescribed capital standards are met. The FCA regulations also require that additional minimum standards for capital be achieved. These standards require all System institutions to achieve and maintain ratios of total surplus as a percentage of risk-adjusted assets of 7.00% and of core surplus (generally unallocated surplus) as a percentage of risk-adjusted assets of 3.50%. At December 31, 2009, the Association's average permanent capital was 19.22%, core surplus was 16.02%, and total surplus was 19.04%.

An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

C. **Description of Equities**: Each owner of class C capital stock is entitled to a single vote. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock.

At December 31, 2009, the Association had the following classes of equity outstanding, all at par value of $5.00 per share/unit, and all at risk.

Class	Number of Shares	Voting	Protected
A - common stock	0	no	no
C - common stock	58,411	yes	no
F - participation certificates	2,209	no	no

Although the Association has the authority to issue other classes of stock as listed below, no shares are outstanding. The voting rights, duties, and liabilities of such classes of stock are similar to those discussed above.

Class	Number of Shares	Voting	Protected
C - preferred stock	0	no	no
D - stock	0	no	yes
E - participation certificates	0	no	yes
Assistance preferred stock	0	no	no

The Board has not approved a program for issuing class C-preferred stock, even though the Association is authorized to do so by its bylaw amendments.

The Association is currently not prohibited from retiring capital stock and presently foresees no realistic situation why retirement would be prohibited in the future. All distributions to the holders of any class of stock or participation certificate shall be made pro-rata in proportion to the number of shares or units of such class of stock or participation certificate held by such holders.

Losses that result in impairment of capital stock and participation certificates will be allocated to the classes of equity described above as follows: First, to the holders of class C preferred stock until an amount equal to the aggregate par value of all shares of said Stock then issued and outstanding has been distributed to such holders; Second, to the holders of class A common stock, class C common stock, Participation Certificates, and Class D Stock, pro-rata, in proportion to the number of shares or units of each such class of Stock then issued and outstanding, until an amount equal to the aggregate par or face value of all such shares or units has been distributed to such holders; Third, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed; Fourth, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed; and Fifth, any remaining assets of the Association after such distributions shall be distributed to past and present Patrons on a patronage basis, to the extent practicable.

Upon liquidation of the Association, any assets remaining after the settlement of all liabilities will be distributed first to redeem the par value of equities. Any assets remaining after such distribution will be distributed to past and present Patrons on a patronage basis, to the extent practicable.

D. **Patronage and/or Dividends:** Consistent with the Association's bylaws and Subchapter T of the Internal Revenue Code, the Association adopted a patronage program beginning in 2007. At each year end, the Board of Directors evaluates whether to retain the Association's net income to strengthen its capital position **or** to distribute a portion of the net income to customers by declaring a qualified/cash patronage refund. That portion of patronage-sourced net income not distributed in cash is also allocated to patrons. Allocated, but not distributed patronage refunds, are added to the unallocated retained earnings account. Such allocations may provide a future basis for a distribution of capital. In accordance with Internal Revenue Service requirements, each customer is sent a nonqualified written notice of allocation for patronage sourced net income which is not distributed as cash. A portion of patronage sourced income may be ineligible for cash distribution or noncash allocation to patrons in accordance with the terms of patronage program, and such amounts are also added to unallocated retained earnings. The Board of Directors considers unallocated retained earnings from both patronage sourced and non-patronage sourced earnings to be permanently invested in the Association. As such, there is no current plan to revolve or redeem these amounts. No express or implied right to have such capital retired or revolved at any time is granted.

NOTE 9 – PATRONAGE DISTRIBUTIONS FROM U. S. AGBANK

The patronage distribution from AgBank was distributed in cash. Patronage paid during 2009 was $72,360, $539,559 in 2008 and $822,739 in 2007.

NOTE 10 – INCOME TAXES

The provision for/(benefit from) income taxes follows for the year ended December 31.

	2009	2008	2007
Current federal tax provision	**$ 0**	$ 0	$ 40,148
Deferred federal tax provision(benefit)	**38,300**	34,000	15,500
Provision for income taxes	**$ 38,300**	$ 34,000	$ 55,648

The provision for/(benefit from) income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the year ended December 31.

	2009	2008	2007
Federal tax at statutory rate	**$ 671,494**	$ 697,842	$ 975,807
Effect of non-taxable FLCA subsidiary	**(608,290)**	(661,179)	(847,389)
Patronage distributions to borrowers	**(23,867)**	(16,599)	(47,792)
Other, net	**(1,037)**	13,936	(24,978)
Provision for income taxes	**$ 38,300**	$ 34,000	$ 55,648

Deferred tax assets and liabilities result from the following as of December 31.

	2009	2008	2007
Deferred income tax assets			
Allowance for loan losses	**$ 34,000**	$ 134,400	$ 118,278
Nonaccrual loan interest	**35,600**	84,500	79,614
Pension expense	**64,200**	47,361	122,760
Post-retirement benefits other than pensions	**17,500**	17,439	39,666
Other	**0**	0	0
Loss carryforwards	**135,000**	50,100	0
Gross deferred tax asset	**$ 286,300**	$ 333,800	$ 360,318
Less: valuation allowance	**$ (20,300)**	$ (23,800)	$ (12,318)
Gross def. tax assets, net valuation allowance	**266,000**	310,000	348,000
Deferred income tax liabilities			
Depreciation	**(11,200)**	(16,900)	(20,900)
Gross deferred tax liability	**(11,200)**	(16,900)	(20,900)
Net deferred tax asset	**$ 254,800**	$ 293,100	**$ 327,100**

The calculation of tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings. The Association recorded a valuation allowance of $20,300 during 2009, $23,800 during 2008, and $12,318 during 2007. The Association will continue to evaluate the likely realization of these deferred tax assets and adjust the valuation allowance accordingly.

The Association has no uncertain tax positions to be recognized as of December 31, 2009, 2008 or 2007. The Association recognizes interest and penalties related to unrecognized tax benefits as an adjustment to income tax expense. The tax years that remain open for federal and major state income tax jurisdictions are 2006 and forward.

NOTE 11 – EMPLOYEE BENEFIT PLANS

The employees of the Association may participate in a defined benefit pension plan (Pension Plan). The Pension Plan is noncontributory and covers a number of employees. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. As a participant in the District's defined benefit plan, the Association funded $204,300 for 2009, $325,360 for 2008, and $119,877 for 2007, through its note payable to AgBank. Pension Plan expenses included in salaries and employee benefits expense were $273,460 for 2009, $46,720 for 2008, and $114,643 for 2007. Additional financial information for the Pension Plan may be found in the District's Annual Report.

As of December 31, 2007, the Pension Plan's minimum liability and accumulated other comprehensive income were transferred to the District combined financial statements because of implementation of new FASB guidance at the AgBank District level and changes to District-wide allocation methodology.

Postretirement benefits other than pensions are also provided through the Farm Credit Foundations Retiree Medical and Retiree Life Plans to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are accrued during the period of the employee's active service. Postretirement benefits (primarily health care benefits and life insurance) included in salaries and employee benefits were $4,698 for 2009, ($16,958) for 2008 and $10,642 for 2007. Additional financial information for this plan may be found in the District's Annual Report.

The Association also participates in the Farm Credit Foundations Defined Contribution/401(k) Plan (Contribution Plan). The Contribution Plan has two components. Employees who do not participate in the Pension Plan may receive benefits through the Employer Contribution portion of the Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employer contributions to these plans were $112,257 for 2009, $97,705 for 2008, and $91,632 for 2007.

NOTE 12 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association may enter into loan transactions with officers and directors of the Association or AgBank, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with other persons.

The Association has a policy that loans to directors and senior officers must be maintained at an Acceptable or Other Assets Especially Mentioned (OAEM) credit classification. If the loan falls below the OAEM credit classification, corrective action must be taken and the loan brought back to either Acceptable or OAEM within a year. If not, the director or senior officer must resign from the Board or employment. Loan information to related parties at December 31 is shown below.

	2009	2008	2007
Beginning Balance	**$ 58,569,808**	$ 35,255,313	$ 21,332,712
Advances	**76,007,368**	82,935,940	55,834,814
Repayments	**(74,812,682)**	(59,621,445)	(41,912,213)
Ending Balance	**$ 59,764,494**	$ 58,569,808	$ 35,255,313
Participations Sold	**(32,597,125)**	(31,537,192)	(20,339,772)
Net Ending Balance	**$ 27,167,369**	$ 27,032,616	$ 14,915,541

In the opinion of management, none of these loans outstanding at December 31, 2009, involved more than a normal risk of collectability.

The Association also has business relationships with certain other System entities for insurance, technology and benefit services.

NOTE 13 – REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities.

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest-rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2009, $35.86 million of commitments to extend credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Statement of Financial Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

The Association maintains an unsecured line of credit with its depository bank for $500,000 as part of its depository relationship and as a secondary source of local funds. This line of credit was not used in 2009.

At December 31, 2009, 2008 and 2007, the carrying amount of the Association's deposits was $955,183, $996,946, and $912,458 and the bank balance was $1,632,882, $1,951,815, and $1,818,907, respectively. Of these bank balances, $100,000 was covered by federal depository insurance (except that the full balance was covered at year end 2008 and 2009 as a result of federal guarantee for non-interest bearing accounts), and the remainder was uninsured and uncollateralized. The daily balance of depository accounts varies throughout the year, since the Association must wait for deposited funds to become collected funds before it can withdraw the funds to reduce its note payable to AgBank.

There are no legal actions pending against the Association in which claims for money damages are asserted.

NOTE 15 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Association's financial instruments at December 31, 2009, 2008, and 2007. Quoted market prices are generally not available for certain financial instruments, as described below. Accordingly, fair values are based on 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. The estimated fair values of the Association's financial instruments as of December 31 are as follows (in thousands).

	2009		2008		2007	
Financial assets:	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans, net of allowance	**$ 193,274**	**$ 198,189**	$ 162,348	$ 170,476	$ 132,966	$ 134,809
Cash	**$ 955**	**$ 955**	$ 997	$ 997	$ 912	$ 912
Financial liabilities						
Notes payable to U.S. AgBank	**$ 166,298**	**$ 166,467**	$ 136,196	$ 139,250	$ 107,147	$ 107,032
Advance conditional payments	**$ 2,391**	**$ 2,391**	$ 2,778	$ 2,778	$ 2,826	$ 2,826

A description of the methods and assumptions used to estimate the fair value of each class of the Association's financial instruments for which it is practicable to estimate the value follows.

A. **Loans and notes receivable:** Because no active market exists for the Association's loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. Since the discount rates are based on the Association's loan rates as well as management estimates, management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale.

   For purposes of determining fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

   Fair value of loans in a nonaccrual status that are current as to principal and interest and non-current nonaccrual loans that are adequately collateralized (acquisition of the collateral is not anticipated) is estimated as described above, with appropriately higher interest rates, which reflect the uncertainty of continued cash flows. For the remainder of nonaccrual loans, it is assumed that collection will result only from the disposition of the underlying collateral. Fair value of these loans is estimated to equal the aggregate net realizable value of the underlying collateral, discounted at an interest rate, which appropriately reflects the uncertainty of the expected future cash flows over the average disposal period. Where the net realizable value of the collateral exceeds the legal obligation for a particular loan the legal obligation is generally used in place of the net realizable value.

B. **Cash:** The carrying value is a reasonable estimate of fair value.

C. **Notes Payable to AgBank:** The notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets), which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables plus accrued interest on the notes payable.

D. **Advance Conditional Payments:** The carrying value is a reasonable estimate of fair value

NOTE 16 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly results of operations for the years ended December 31, 2009, 2008, and 2007 follow (in thousands).

(dollars in thousands)	2009				
	First	Second	Third	Fourth	Total
Net Interest Income	$ 1,097	$ 1,099	$ 1,265	$ 1,401	$ 4,862
(Provision for) or Reversal of loan losses	(69)	(13)	(13)	(11)	(106)
Noninterest expense, net	(763)	(622)	(673)	(761)	(2,819)
Net income/(loss)	$ 265	$ 464	$ 579	$ 629	$ 1,937

	2008				
	First	Second	Third	Fourth	Total
Net Interest Income	$ 886	$ 926	$ 1,030	$ 1,122	$ 3,964
(Provision for) or Reversal of loan losses	(19)	(13)	1	(4)	(35)
Noninterest expense, net	(453)	(416)	(498)	(544)	(1,911)
Net income/(loss)	$ 414	$ 497	$ 533	$ 574	$ 2,018

	2007				
	First	Second	Third	Fourth	Total
Net Interest Income	$ 913	$ 1,007	$ 1,101	$ 1,103	$ 4,124
(Provision for) or Reversal of loan losses	(3)	88	(13)	(59)	13
Noninterest expense, net	(385)	(426)	(113)	(399)	(1,323)
Net income/(loss)	$ 525	$ 669	$ 975	$ 645	$ 2,814

NOTE 17 – 2009 PATRONAGE PROGRAM

Under Section 840 of the Association bylaws, the Board has adopted an obligating resolution to pay patronage to patrons with voting stock or nonvoting participation certificates with eligible patronage business on the basis of average daily principal or contractual balance of each Patronage Transaction (account) during the period for which the distribution is calculated. The distribution shall not exceed the net income that was earned on the Patronage Transaction, or if the Patronage Transaction is participated, shall not exceed the net income that would have been earned if the Patronage Transaction was not participated.

Patronage is solely based on current year eligibility, and in no event will any patron whose account in a prior year was ineligible receive any patronage amount for a prior period once the account returns to eligible patronage status. “Patronage Business” encompasses the following transactions (each a “Patronage Transaction”): (i) loan accounts originated by the Association with an outstanding principal balance during the year and (ii) loan account participations acquired by the Association under a participation contract that specifically provides for the payment of patronage. Net earnings from transactions that are not Patronage Business shall constitute non-patronage earnings and shall not be available for distribution. Patronage Business shall not include accounts specified in advance as not eligible for patronage due to special pricing and/or risk factors and for which the borrower has waived patronage, sales contracts, fee-based services, related services and insurance sales, and secondary market activities. In addition, Patronage Business shall not include any account which as of the end of the patronage period (i) is both nonaccrual and past due; or (ii) has a specific allowance or charge-off which has not been recovered; or (iii) is from a Patron who has a balance past due more than 90 days to the Association for any loans, legal fees, judgments, or financially related services.

Patronage distributions may be in the form of cash, qualified written notices of allocation and/or nonqualified written notices of allocation. Patronage paid in cash will not include any amount which the Board has determined is required to be retained in accordance with meeting capital adequacy requirements necessary for sound financial management and future planning, and any retained earnings may be either allocated or unallocated to patrons.

NOTE 18 – SUBSEQUENT EVENTS

The Audit Committee approved the report on February 17, 2010 subject to management's review of subsequent events through the report release date. Association management has evaluated subsequent events through February 22, 2010, which is the date the financial statements were available to be issued.

Idaho Agricultural Credit Association
DISCLOSURE INFORMATION REQUIRED BY FARM CREDIT ADMINISTRATION REGULATIONS

Description of Business
The Association's territory served, persons eligible to borrow, types of lending activities engaged in and financial services offered and related Farm Credit organizations are described in Note 1, Organization and Operations. The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics and concentrations of assets, if any, are described in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Description of Property
The Association has the following properties:

Description	Location	Ownership
Blackfoot Branch and Headquarters	188 W. Judicial, Blackfoot, ID 83221	Owned
American Falls Branch	127 Idaho, American Falls, ID 83211	Owned
Rexburg Branch	1586 N 2 E, Rexburg, ID 83440	Owned
Twin Falls Contact Point	1411 Falls Ave Suite 905, Twin Falls, ID 83301	Leased

Enforcement Actions and Legal Proceedings
The status of any regulatory enforcement actions are described in Note 13, Regulatory Enforcement Matters, and the status of legal actions pending against the Association are described in Note 14, Commitments and Contingencies.

Description of Capital Structure
The Association's capital structure is described in Note 8, Shareholders' Equity.

Description of Liabilities
The Association's liabilities are described in Note 7, Notes Payable to AgBank and Note 14, Commitments and Contingencies.

Selected Financial Data
Selected financial data for the five years ended December 31, 2009 is described in the Five-Year Summary of Selected Consolidated Financial Data.

Management's Discussion and Analysis of Financial Condition and Results of Operations
The Management's Discussion and Analysis of Financial Condition and Results of Operations section provides required disclosures about the Association's consolidated financial condition and operations.

Directors and Senior Officers
The following represents certain information regarding the directors and senior officers of the reporting entity:

Senior Officers
Daniel P. Allred, President and Chief Executive Officer since June 1, 2006. Previously served as Senior Vice President and Senior Lending Officer since 1986, and prior to that as Assistant Vice President and Branch Manager. Has been employed by the Association since April 1977, but within the Farm Credit System since June 1975.

Jim Chase, Secretary and Chief Financial Officer since May 16, 2006. Previously served as Assistant Vice President and Data Systems Administrator since January 2005, and prior to that as Assistant Vice President and Assistant Branch Manager. Has been employed by the Association since January 1991.

Gregory G. Rose, Vice President and Branch Manager since July 1, 1999. Previously served as Assistant Vice President and Branch Manager. Has been employed by the Association since November 1989.

Marc Fonnesbeck, Vice President and Branch Manager since June 1, 2006. Previously served as Assistant Vice President and Branch Manager since April 1998, and prior to that as Branch Manager. Has been employed by the Association since January 1994.

Adam Jensen, Assistant Vice President and Branch Manager since March 15, 2007. Has been employed by the Association since March 2007.

Board of Directors
Raymond G. Parks, Chairman, Blackfoot, Idaho. Elected term expires in 2011. Chairman Parks passed away in February 2010, but had been engaged in farming and was a past legislator in the Idaho House of Representatives. He was not serving on any other board or commission at the time of his death. He had been an Association member since 1959 and a board member since January 1, 1994.

Mark R. Ricks, Vice Chairman, Felt, Idaho. Elected term expires in 2012. Engaged in farming. Serves as director on the Fremont-Madison Irrigation District board and the Family Farm Alliance board. He has been an Association member since 1979 and a board member since March 2, 2000.

Kenneth S. Black, Burley, Idaho. Elected term expires in 2011. Engaged in ranching and cattle feeding. Serves on the Burley FFA Advisory Committee. He has been an Association member since 1993 and a board member since March 3, 1999.

W. Brock Driscoll, Aberdeen, Idaho. Elected term expires in 2010. Engaged in farming. Presently serves as a director on the American Falls – Aberdeen Groundwater District board. He has been an Association member since 1975 and a board member since March 3, 2004.

Twain S. Hayden, Arbon, Idaho. Elected term expires in 2010. Engaged in farming. He has been an Association member since 1984 and a board member since March 3, 2004.

Scott R. Giltner, Jerome, Idaho. Appointed term expires in 2012. Engaged in dairy farming and trucking. He has been an Association member since 1996 and a board member since November 14, 2007.

Mike Virtue, Blackfoot, Idaho. Appointed term expires in 2012. Currently serves as mayor of Blackfoot. He has been a board member since March 12, 2009.

Compensation of Directors and Senior Officers

Association board members were paid $350 per day honoraria in 2009 as compensation for services rendered, which totaled $27,650 for 2009. In addition to cash compensation, directors are reimbursed for direct travel expenses incurred. Aggregated reimbursements to directors for travel, subsistence and other related expenses were $11,198 in 2009, $11,552 in 2008 and $11,795 in 2007. De minimis amounts or gifts to directors, if any, are not included in compensation. A copy of the expense reimbursement policy is available to shareholders upon written request. Honoraria for each director is as follows:

Idaho ACA Board Member	Days Served at Board Meetings	Days Served at Other Official Acts	Total Honoraria Paid in 2009
Raymond G. Parks, Chairman	9	10	$ 6,650
Mark R. Ricks, Vice Chairman	8	1	3,150
Kenneth S. Black	9	5	4,900
W. Brock Driscoll	5	1	2,100
Twain S. Hayden	9	1	3,500
Keith S. Hinckley	3	0	1,050
Scott R. Giltner	8	1	3,150
Mike Virtue	9	0	3,150
Total			$ 27,650

Transactions with Senior Officers and Directors and/or their Immediate Families

The Association acquired sugar beet shares from the sugar beet company, which were originally owned by an entity which included Director Brock Driscoll. The Association sold those shares to an entity which included some of Director Brock Driscoll's children and other individuals. The amount of the cash sale was $23,700 and was determined by the Board to be at the current market value. There were no other transactions other than loans to directors or their immediate families and no transactions with senior officers other than employment. The reporting entity's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from the consolidated financial statements, Note 12, Related Party Transactions.

Senior Officer Compensation

Compensation for the CEO and senior officers (including other officers when there are not 5 senior officers) is as follows.

No. in Group	Year	Salary	Bonus/ Incentive*	Deferred/ Perquisites	Other**	Total
(a)	(b)	(c)	(d)	(e)	(f)	(g)
CEO						
Dan Allred	2009	$ 123,792	$ 18,569	$ 0	$ 5,534	$ 147,895
Dan Allred	2008	117,888	17,683	0	4,840	140,411
Dan Allred	2007	110,167	21,525	0	4,118	135,810
5 Officers***	2009	$ 475,296	$ 89,805	$ 0	$ 18,936	$ 584,037
5 Officers***	2008	454,920	82,406	0	17,612	554,938
5 Officers***	2007	408,613	72,578	0	15,365	496,556

*Bonus/Incentive amounts reflect earned compensation during the year, including bonuses accrued and paid in the next year. **Other includes auto use fringe benefit and group term life insurance benefit. ***5 Officers include CEO, and in years when there are not five senior officers, other officers are included.

Column (d): The Board approved incentive plans for all employees, loan officers, and the CEO for 2009, which were predicated on the Association reaching certain goals established by the Board. Prior years included similar incentive plans, and similar plans have been approved for 2010.

The general employee incentive plan included all employees hired before April 1, 2009 and still employed as of the end of 2009 except for the CEO. The first part of this plan included a 5% of salary incentive for making the ROA goal of 1.00%, maintaining an AgBank CIPA score high enough to avoid cost of funds penalties, and maintaining credit quality of at least 90% Acceptable and OAEM. Additionally, this plan provides for an incentive pool which is paid out 25% equally among all employees and 75% pro-rata based on salary paid during the year. That incentive pool included a percentage for an overall increase in average volume, all new mortgage loans, all new commercial loans to borrowers who had not borrowed during the preceding plan year and amounts for increased crop and credit life insurance sales. Payout of this additional incentive also had to meet the same goals as the 5% incentive payout. The maximum combined incentive under these plans is capped at 15%. The Board determined in its October 2009 meeting that the Association would meet its goals and approved payout of 5% to eligible employees prior to 2009 year end. The Board determined in its January 2010 meeting that the Association met its goals and approved the maximum payout of this additional incentive (included in 2009 expenses) in 2010.

The loan officer incentive plan included all loan officers and specifically excluded the CEO, CFO and other employees. Incentives included a percentage earned for average new commercial volume and new mortgage note volume up to a maximum per customer, as well as incentives for hail insurance sales up to a maximum of 5% of salary. The plan included reduction of future incentives under the plan for any loans which do not maintain adequate credit quality. The plan provides for controlled quality growth and has dollar limits per customer and salary limits on financial services, but total incentives possible are not capped. Payouts under the loan officer incentive plan were made prior to 2009 year-end.

The CEO incentive plan included a 5% of salary payout for making the same goals as required in the general employee incentive plan. The CEO incentive plan also included additional incentives for meeting volume and credit quality goals. The maximum combined incentive under these plans is capped at 15%. The 5% incentive was paid out at the same time as the general employee incentive plan 5% incentive. The Board determined in its January 2010 meeting that the CEO met his goals and approved the maximum payout of this additional incentive (included in 2009 expenses) in 2010.

Payments under all incentive plans are made only if goals are met, and payment of the incentive would not cause the Association earnings to fall short of the earnings goal. If the Board can determine, prior to year-end, that goals will be met, it can approve a partial payout of the incentive, with the remaining amount payable after year-end figures can be affirmed.

Column (e): No amounts are shown in this column because all deferred compensation is through a defined contribution plan which is available to all employees on the same basis by eligible retirement plan, as described in Note 11, Employee Benefit Plans. Employees eligible under the Pension Plan (which was closed to new employees on January 1, 1998) received defined contributions up to 4% with a 4% or more employee contribution, and employees eligible only under the defined contribution plan received defined contributions up to 9% with a 6% or more employee contribution. Employees vest in Association contributions at a rate of 25% per year.

Disclosure of the total compensation paid during the last fiscal year to any senior officer or to any other employee included in the aggregate is available to shareholders upon request.

Employee or Director Involvement in Certain Legal Proceedings
There were no matters required to be disclosed in this section which came to the attention of management or the Board of Directors regarding involvement of current directors or senior officers in specified legal proceedings.

Consolidated Financial Statements
The consolidated financial statements, together with the report thereon of Galusha, Higgins & Galusha, P.C. and the Report of Management are incorporated herein by reference.

Relationship with Independent Public Accountants
There has been no change in independent public accountants and no material disagreements on any matters of accounting principle or financial statement disclosure during the period.

Borrower Privacy
Your privacy is important to us. We want you to know that we hold your financial and other personal information in strict confidence. Since 1972, Farm Credit Administration regulations have forbidden the directors and employees of Farm Credit institutions from disclosing personal borrower information to others without your consent. We do not sell or trade our customers' personal information to marketing companies or information brokers.

FCA rules allow us to disclose customer information to others only in these situations:

- We may give it to another Farm Credit institution with whom you do business.
- We can be a credit reference for you with other lenders and provide information to a credit bureau or other consumer reporting agency.
- We can provide information in certain types of legal or law enforcement proceedings.

- We may provide information to auditors for the purpose of confirming loan balances and terms.
- FCA and other third-party examiners may review loan files during regular examinations of our association.
- If one of our employees applies to become a licensed real estate appraiser, we may give copies of real estate appraisal reports to the state agency that licenses appraisers when required. We will first remove as much personal information from the appraisal report as possible.

U.S. AgBank, FCB Financial Data

The shareholders' investment in the Association is materially affected by the financial condition and the results of operation of the U.S. AgBank and the U.S. AgBank District. The U.S. AgBank and U.S. AgBank District quarterly and annual reports are available on AgBank's web site, www.usagbank.com, or may be obtained at no charge by contacting Idaho Ag Credit, 188 W. Judicial, PO Box 985, Blackfoot, Idaho 83221 or calling (208)785-1510.

Association Financial Data

The Association's quarterly reports to shareholders are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. Shareholders are mailed a copy of the annual report within 90 days after year end. The reports may be obtained free of charge on the Association's website, www.IdahoAgCredit.com, or upon request. We are located at 188 West Judicial, PO Box 985, Blackfoot, ID 83221 or may be contacted by calling (208)785-1510 or (800)686-8910.

Idaho Agricultural Credit Association
and its wholly owned subsidiaries,
Idaho AgCredit, FLCA and Idaho AgCredit, PCA

188 W. Judicial, P.O. Box 985,
Blackfoot, ID 83221

Celebrating 76 years:

Eastern Idaho Production Credit Association Chartered January 6, 1934
Eastern Idaho Agricultural Credit Association Chartered August 6, 1991
Idaho Agricultural Credit Association Chartered January 1, 2000
Idaho Agricultural Credit Association and its wholly owned subsidiaries,
Idaho AgCredit, FLCA and Idaho AgCredit, PCA Chartered July 1, 2002