



When you grow, we grow.

**March 31, 2009
QUARTERLY REPORT**

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



REPORT OF MANAGEMENT

The financial statements of the Idaho Agricultural Credit Association (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 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 2008 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 was presented in the 2008 Annual Report to Stockholders.

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 Annual Report of AgBank is available upon request.

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. 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.

Raymond G. Parks,
Board Chairman and
Audit Committee Chairman

Dan Allred,
President and CEO

Jim Chase
Secretary and CFO

April 22, 2009

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

(Dollars in thousands)

Overview of Financial Condition and Loan Portfolio:

During the first quarter of 2009, seasonal commercial loan repayments and normal mortgage activity decreased gross loan volume from \$162,775 in the fourth quarter of 2008 to \$152,307. The 2009 seasonal commercial loan repayments were typical of that experienced in a normal year. March 31, 2009 loan volume of \$152,307 was \$29,078 higher than March 31, 2008 loan volume of \$123,229. The increase in loan volume from the same period last year reflects strong mortgage growth and some commercial loan growth.

Nonaccrual loan volume at March 31, 2009 was \$0, or 0.00% of gross loan volume, compared to \$290, or 0.24% of gross loan volume at March 31, 2008. The Association's total loan portfolio is presently graded 99.66% acceptable compared to 98.87% acceptable the same date last year. The Association's long-term goal for acceptable credit remains at 90% or better.

The Association's net investment in other property owned (or acquired property) at March 31, 2009 was \$0, the same as last year. The Association's investment in accrual sales contracts at March 31, 2009 was \$273 compared to \$305 at March 31, 2008. The Association's ratio of liabilities to net worth at March 31, 2009 was 3.58:1 compared to 2.87:1 at March 31, 2008. This ratio change (which reflects that total liabilities have increased faster than net worth) has been offset by quality loan growth and an overall strong capital position.

Results of Operations:

The Association had net earnings during the first quarter of 2009 totaling \$265, which was down \$149 for the same quarter in the prior year. Net interest income for the quarter was up \$211 over the prior year, primarily due to increased loan volume. However, noninterest income from AgBank patronage was down by \$160 due to a combination of lower AgBank earnings and AgBank's decision to begin distributing non-priority patronage in the year following when it is earned rather than during each quarter of the current year. AgBank's decision to postpone patronage reflects concern over the current national and global economy and will strengthen AgBank's capital position by retaining more earnings.

The provision for loan losses increased by \$49 over the prior year, but that was net of \$385 in charge-offs on nonaccrual loans, including \$82 in legal fees this year and \$303 in specific allowances from prior years. The provision also includes the effect of seasonal volume changes and higher credit quality in the loan portfolio. The Association's noninterest expenses were \$152 higher than the same period last year, primarily due to \$57 in higher retirement expenses resulting from lower projected earnings on pension investments, \$50 in other losses on a nonaccrual loan, \$23 in higher Farm Credit System Insurance Corporation (FCSIC) premiums resulting from higher loan volume and increased FCSIC premium rates, and \$22 in total other expenses.

Despite low interest rates which limit the Association's earnings on its capital, the decision by AgBank to eliminate non-priority patronage this year, increased retirement and insurance expenses, and one-time charge-off and other loss expenses, the Association's earnings are moderately positive for the quarter.

Allowance for Loan Losses:

The Allowance for Loan Losses account balance at March 31, 2009 totaled \$111, or .07% of gross loan volume compared to an allowance of \$412, or .33% of gross loan volume at March 31, 2008. The reduction reflects the elimination of a specific allowance matching the book value of a nonaccrual loan which was charged off in 2009. This account balance is within the tolerance level required both in anticipated mortgage volume growth and to support the moderate risk pertaining to the present loan portfolio. After assessing the relative risk, based upon economic conditions, historical annual loan loss experience and potential future losses, management believes the present allowance for loan losses adequately covers the inherent risk in the loan portfolio.

Ultimate losses, which may be experienced by the Association, depend upon the impact of future commodity prices, real estate values, government subsidy and disaster programs, weather-related occurrences and public policy. These same factors may also generate recoveries to the Association of losses previously recognized.

Risk Funds:

Risk funds are comprised of permanent capital plus the allowance for loan losses. Permanent capital is comprised of borrower stock, participation certificates and earned surplus, less the required investment in AgBank. Since January

1, 2005, the Association's stock requirement has been the minimum allowed by regulation, which is the lesser of 2% of the outstanding principal balance or \$1,000 (actual amount not rounded to thousands). The Association's risk funds at March 31, 2009 were \$33,117 compared to \$33,815 at March 31, 2008.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

(Whole Dollars)

	March 31, 2009 Unaudited	December 31, 2008 Audited	March 31, 2008 Unaudited
ASSETS			
Loans	\$ 152,307,288	\$ 162,775,376	\$ 123,228,980
Less allowance for loan losses	110,840	427,777	412,392
Net loans	152,196,448	162,347,599	122,816,588
Cash	(59,250)	996,946	233,671
Accrued interest receivable	3,075,345	3,422,224	3,038,610
Investment in U.S. AgBank, FCB	9,483,280	9,483,280	9,486,281
Premises and equipment, net	159,822	169,890	193,047
Other property owned	0	0	0
Deferred tax asset	293,100	293,100	327,100
Other assets	174,342	162,748	149,737
Total assets	\$ 165,323,087	\$ 176,875,787	\$ 136,245,034
LIABILITIES			
Note payable to U.S. AgBank, FCB	\$ 123,730,533	\$ 136,195,681	\$ 93,425,742
Advance conditional payments	4,580,201	2,777,999	6,445,454
Accrued interest payable	342,570	396,804	370,576
Patronage distributions payable	0	929,658	0
Pension liability	252,862	184,494	474,817
Other liabilities	289,101	514,338	354,668
Total liabilities	129,195,267	140,998,974	101,071,257
Commitments and Contingencies (See Notes)			
SHAREHOLDERS' EQUITY			
Capital stock and participation certificates	261,625	275,200	246,940
Allocated retained earnings	0	0	0
Unallocated retained earnings	35,866,195	35,601,613	34,926,837
Accumulated other comprehensive income/(loss)	0	0	0
Total shareholders' equity	36,127,820	35,876,813	35,173,777
Total liabilities and shareholders' equity	\$ 165,323,087	\$ 176,875,787	\$ 136,245,034

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF INCOME
(Whole Dollars)

	Three Months Ended March 31,	
	2009	2008
INTEREST INCOME		
Loans	\$ 2,144,868	\$ 2,047,662
Investment securities and other	385	514
Total interest income	2,145,253	2,048,176
INTEREST EXPENSE		
Notes payable to U.S. AgBank, FCB	1,042,714	1,107,313
Advance conditional payments	5,445	54,519
Total interest expense	1,048,159	1,161,832
Net interest income	1,097,094	886,344
(Provision for) or reversal of loan losses	(68,406)	(19,380)
Net interest income after (provision)/reversal	1,028,688	866,964
NONINTEREST INCOME		
Patronage distributions from U.S. AgBank, FCB	19,190	178,872
Loan fees	12,550	12,804
Financially related services income	859	928
Other noninterest income	14,822	14,310
Total Noninterest Income	47,421	206,914
NONINTEREST EXPENSE		
Salaries and employee benefits	527,501	459,664
Director's Compensation	10,056	5,237
Occupancy and equipment	25,112	26,141
Farm Credit Insurance Fund premiums	64,805	41,384
Supervisory and examination costs	13,521	12,795
Data processing services	3,060	3,060
Purchased services	53,627	47,290
Other Losses/(Gains)	50,000	0
Other noninterest expense	63,845	64,263
Total noninterest expense	811,527	659,834
Income (loss) before income taxes	264,582	414,044
(Provision for)/Benefit from income taxes	0	0
Net Income (loss)	\$ 264,582	\$ 414,044

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Whole Dollars)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2007	\$ 254,780	\$ 34,512,767	\$ 0	\$ 34,767,547
Comprehensive income				
Net income		414,044		414,044
Minimum pension liability adjustment			0	0
Total comprehensive income		414,044	0	414,044
Stock issued	36,685			36,685
Stock retired	(44,525)			(44,525)
Cash Patronage Distribution Adjustment		26		26
Balance at March 31, 2008	\$ 246,940	\$ 34,926,837	\$ 0	\$ 35,173,777
Balance at December 31, 2008	\$ 275,200	\$ 35,601,613	\$ 0	\$ 35,876,813
Comprehensive Income				
Net Income		264,582		264,582
Minimum pension liability adjustment			0	0
Total comprehensive income		264,582	0	264,582
Stock issued	27,140			27,140
Stock retired	(40,715)			(40,715)
Balance at March 31, 2009	\$ 261,625	\$ 35,866,195	\$ 0	\$ 36,127,820

The accompanying notes are an integral part of these financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Whole Dollars)

Note 1 - Organization and Significant Accounting Policies:

A description of the organization and operations of the Idaho Agricultural Credit Association (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2008, are contained in the 2008 Annual Report to Stockholders (2008 Annual Report). These unaudited first-quarter 2009 financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

Effective January 1, 2009, the Association adopted FSP No. 157-2, "Effective Date of FASB Statement No. 157". This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures but did not have an impact on our financial condition or results of operations.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles and prevailing practices within the banking industry.

Note 2 - Allowance for Loan Losses:

The allowance for loan losses is established by a charge to expense in an amount sufficient to maintain the balance in the allowance account at a level considered adequate to provide for estimated losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, loan portfolio composition, prior loss experience and management's estimation of future, potential losses. As loan volume increases, the current loan loss reserves may require an additional provision for loan loss to support the increased loan volume. An analysis of the changes in the Association's allowance for loan losses and related information included within the accompanying financial statements is as follows:

	<u>Year to Date Ending:</u>	
	<u>March 31, 2009</u>	<u>March 31, 2008</u>
<u>Allowance for loan loss</u>		
Balance at beginning of year	427,777	393,012
Provision for (reversals of) loan losses	68,406	19,380
Loan charge-offs	(385,343)	0
Recoveries on loans previously charged off	0	0
Balance at end of quarter	<u>110,840</u>	<u>412,392</u>
<u>Loans impaired under SFAS No 114</u>	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Impaired non-accrual loans with related allowance	0	261,582
Impaired accrual loans with related allowance	0	0
Impaired loans with no related allowance	0	28,667
Total impaired loans	<u>0</u>	<u>290,249</u>
<u>Impaired loans additional information</u>	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Average impaired loans YTD	189,202	281,114
Interest income recognized on impaired loans	4,055	0
Allowance on impaired loans	0	261,582

There are no specific allowances on impaired loans at March 31, 2009, compared to one specific allowance totaling \$261,582 for the same period in the prior year. The allowance for loan losses is discussed in more detail in Management's Discussion and Analysis of Financial Condition in the front section of this report.

Note 3 - Capital:

There have not been any significant capitalization bylaw changes or significant other capitalization plan or status changes since the date of the Annual Report and the Association is in compliance with FCA capital regulations.

Note 4 - Income Taxes:

There have not been any significant changes in the composition or valuation of tax assets or liabilities year to date in 2009.

Note 5 - Fair Value Measurements:

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 15 "Disclosures about Fair Value of Financial Instruments" of the 2008 Annual Report to Stockholders for a more complete description.

Note 6 - Contingent Liabilities and Litigation:

The Association has various commitments outstanding and contingent liabilities, as described in Note 14 "Commitments and Contingencies" of the Annual Report. There are no longer any legal actions which are pending against the Association. There have not been any other significant changes related to this subject area since that report, other than normal seasonal and operational variations in the amounts of outstanding commitments and deposit balances.

SCHEDULE OF DIRECTORS, OFFICERS, AND STAFF

BOARD OF DIRECTORS

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

OFFICERS

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

STAFF

Headquarters

Nelson C. Cooper, Jr. Internal Auditor
 Ryan Funk.....Computer Programmer
 Leslie StephensOperations Support Specialist
 Ingrid Denning..... Operations Assistant

American Falls Branch

Adam C. Jensen

Branch Manager
 Stan Taysom..... Loan Officer
 Dana Wood..... Loan Officer
 Craig Hepworth..... Loan Officer
 Maxine Olson..... Operations Assistant
 Kim Dean Operations Assistant

Twin Falls Contact Point

Sean Zaugg Loan Officer

Blackfoot Branch

Greg Rose

Branch Manager
 Katie Wallace.....Loan Officer
 Leisa Cushman.....Operations Assistant

Rexburg Branch

Marc Fannesbeck..... Branch Manager
 Doug Eck

Loan Officer
 Kirk Powell.....Loan Officer
 Heathe Weston.....Loan Officer
 Carrie MackertOperations Assistant
 Tina Morton.....Operations Assistant