



*When you grow, we grow.*

**June 30, 2009  
QUARTERLY REPORT  
TO SHAREHOLDERS**



### REPORT OF MANAGEMENT

The financial statements of the Idaho Agricultural Credit Association and its wholly owned subsidiaries Idaho AgCredit, FLCA and Idaho AgCredit, PCA (collectively 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

July 21, 2009

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Branch Offices:

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Rexburg	(208) 356-5479 or (800) 632-8821
American Falls	(208) 226-5251 or (800) 831-5143
Twin Falls (Contact Point)	(208) 358-0931 or (800) 831-5143

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

(Dollars in thousands)

**Overview of Financial Condition and Loan Portfolio:**

During the second quarter of 2009, seasonal commercial loan activity and normal mortgage activity increased gross loan volume from \$152,307 in the first quarter of 2009 to \$170,256. The 2009 seasonal commercial loan advances were typical of that experienced in a normal year. June 30, 2009 loan volume of \$170,256 was \$34,255 higher than June 30, 2008 loan volume of \$136,001. The increase in loan volume from the same period last year reflects strong mortgage growth and some commercial loan growth.

Nonaccrual loan volume at June 30, 2009 was \$81, or 0.05% of gross loan volume, compared to \$302, or 0.22% of gross loan volume at June 30, 2008. The Association's total loan portfolio is presently graded 99.66% acceptable compared to 99.4% 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 June 30, 2009 was \$0, the same as last year. The Association's investment in accrual sales contracts at June 30, 2009 was \$272 compared to \$298 at June 30, 2008. The Association's ratio of liabilities to net worth at June 30, 2009 was 4.00:1 compared to 3.18:1 at June 30, 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's net earnings of \$464 for the second quarter and \$729 year to date in 2009 were down \$33 for the quarter and \$183 for the year compared to the prior year. Net interest income after the provision for loan losses was up \$335 compared to the prior year, primarily due to strong loan growth and despite lower earnings on the Association's substantial retained capital because of declining interest rates from a year ago, when the Prime Rate was 1.75% higher. Noninterest income was down \$279 year to date compared to the prior year, including \$283 less in patronage received from AgBank as a result of AgBank's decision to reduce and postpone most patronage payments until after year end 2009 in order to strengthen its own capital position. Noninterest expenses including the provision for income taxes year to date increased by \$238 over the same period in the prior year, and include \$133 in higher benefit expenses, primarily due to lower projected earnings on pension investments, \$42 in higher Farm Credit Insurance Corporation (FCSIC) premiums due to higher volume and increased FCSIC premium rates, and \$63 in net other expenses.

**Allowance for Loan Losses:**

The Allowance for Loan Losses account balance at June 30, 2009 totaled \$124, or .07% of gross loan volume compared to an allowance of \$425, or .31% of gross loan volume at June 30, 2008. The reduction reflects the elimination of a specific allowance matching the book value of a nonaccrual loan which was charged off in the first quarter of 2009, together with normal adjustments based on volume and risk. 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 per customer (actual amount not rounded to thousands). The Association's risk funds at June 30, 2009 were \$34,026 compared to \$35,007 at June 30, 2008.

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**  
(Whole Dollars)

	<b>June 30, 2009 Unaudited</b>	December 31, 2008 Audited	June 30, 2008 Unaudited
<b>ASSETS</b>			
Loans	\$ 170,255,719	\$ 162,775,376	\$ 136,001,161
Less allowance for loan losses	124,080	427,777	425,413
Net loans	170,131,639	162,347,599	135,575,748
Cash	191,912	996,946	376,698
Accrued interest receivable	2,824,053	3,422,224	3,207,098
Investment in U.S. AgBank, FCB	9,483,280	9,483,280	9,483,280
Premises and equipment, net	150,170	169,890	193,032
Other property owned	0	0	0
Deferred tax asset	293,100	293,100	327,100
Other assets	163,092	162,748	146,673
<b>Total assets</b>	<b>\$ 183,237,246</b>	<b>\$ 176,875,787</b>	<b>\$ 149,309,629</b>
<b>LIABILITIES</b>			
Note payable to U.S. AgBank, FCB	\$ 142,236,855	\$ 136,195,681	\$ 108,031,305
Advance conditional payments	3,425,275	2,777,999	4,340,234
Accrued interest payable	316,958	396,804	344,504
Patronage distributions payable	0	929,658	0
Pension liability	239,506	184,494	455,952
Other liabilities	388,806	514,338	442,141
<b>Total liabilities</b>	<b>146,607,400</b>	<b>140,998,974</b>	<b>113,614,136</b>
<b>Commitments and Contingencies (See Notes)</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock and participation certificates	299,415	275,200	271,345
Allocated retained earnings	0	0	0
Unallocated retained earnings	36,330,431	35,601,613	35,424,148
Accumulated other comprehensive income/(loss)	0	0	0
<b>Total shareholders' equity</b>	<b>36,629,846</b>	<b>35,876,813</b>	<b>35,695,493</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 183,237,246</b>	<b>\$ 176,875,787</b>	<b>\$ 149,309,629</b>

The accompanying notes are an integral part of these financial statements

**CONSOLIDATED STATEMENT OF INCOME**  
(Whole Dollars)

	Three Months Ended June 30,		Year-to-Date Ended June 30,	
	2009	2008	2009	2008
<b>INTEREST INCOME</b>				
Loans	\$ 2,165,379	\$ 1,980,984	\$ 4,310,247	\$ 4,028,647
Investment securities and other	50	100	435	614
<b>Total interest income</b>	<b>2,165,429</b>	<b>1,981,084</b>	<b>4,310,682</b>	<b>4,029,261</b>
<b>INTEREST EXPENSE</b>				
Notes payable to U.S. AgBank, FCB	1,059,881	1,018,081	2,102,595	2,125,394
Advance conditional payments	6,502	37,247	11,947	91,767
<b>Total interest expense</b>	<b>1,066,383</b>	<b>1,055,328</b>	<b>2,114,542</b>	<b>2,217,161</b>
Net interest income	1,099,046	925,756	2,196,140	1,812,100
(Provision for) or reversal of loan losses	(13,314)	(13,020)	(81,721)	(32,401)
<b>Net interest income after (provision)/reversal</b>	<b>1,085,732</b>	<b>912,736</b>	<b>2,114,419</b>	<b>1,779,699</b>
<b>NONINTEREST INCOME</b>				
Patronage distributions from U.S. AgBank, FCB	19,250	199,546	38,440	321,751
Loan fees	40,576	15,986	53,126	28,790
Financially related services income	4,053	4,253	4,913	5,181
Other noninterest income	36,068	0	50,889	70,977
<b>Total Noninterest Income</b>	<b>99,947</b>	<b>219,785</b>	<b>147,368</b>	<b>426,699</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	517,792	443,599	1,045,292	903,264
Director's Compensation	12,376	11,321	22,432	16,557
Occupancy and equipment	20,488	22,488	45,601	48,209
Farm Credit Insurance Fund premiums	61,649	42,815	126,454	84,199
Supervisory and examination costs	13,515	12,795	27,036	25,590
Data processing services	3,070	3,060	6,130	6,120
Purchased services	32,609	19,056	86,235	66,346
Other Losses/(Gains)	(183)	0	49,816	0
Other noninterest expense	60,127	58,984	123,973	123,666
<b>Total noninterest expense</b>	<b>721,443</b>	<b>614,118</b>	<b>1,532,969</b>	<b>1,273,951</b>
Income (loss) before income taxes	464,236	518,403	728,818	932,447
(Provision for)/Benefit from income taxes	0	(21,092)	0	(21,092)
<b>Net Income (loss)</b>	<b>\$ 464,236</b>	<b>\$ 497,311</b>	<b>\$ 728,818</b>	<b>\$ 911,355</b>

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
<b>Balance at December 31, 2007</b>	\$ 254,780	\$ 34,512,767	\$ 0	\$ 34,767,547
Comprehensive income				
Net income		911,355		911,355
Minimum pension liability adjustment			0	0
Total comprehensive income		911,355	0	911,355
Stock issued	79,745			79,745
Stock retired	(63,180)			(63,180)
Cash Patronage Distribution Adjustment		26		26
<b>Balance at June 30, 2008</b>	<b>\$ 271,345</b>	<b>\$ 35,424,148</b>	<b>\$ 0</b>	<b>\$ 35,695,493</b>
<b>Balance at December 31, 2008</b>	<b>\$ 275,200</b>	<b>\$ 35,601,613</b>	<b>\$ 0</b>	<b>\$ 35,876,813</b>
Comprehensive Income				
Net Income		728,818		728,818
Minimum pension liability adjustment			0	0
Total comprehensive income		728,818	0	728,818
Stock issued	94,905			94,905
Stock retired	(70,690)			(70,690)
<b>Balance at June 30, 2009</b>	<b>\$ 299,415</b>	<b>\$ 36,330,431</b>	<b>\$ 0</b>	<b>\$ 36,629,846</b>

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 second-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.

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

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform 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>June 30, 2009</u>	<u>June 30, 2008</u>
<u>Allowance for loan loss</u>		
Balance at beginning of year	427,777	393,012
Provision for (reversals of) loan losses	81,721	32,401
Charge-offs on loans	(385,418)	0
Recoveries on loans previously charged off	0	0
Balance at end of quarter	<u>124,080</u>	<u>425,413</u>
<u>Impaired Loan Balances</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Impaired loans with related allowance	0	267,786
Impaired loans with no related allowance	81,220	34,331
Total impaired loans	<u>81,220</u>	<u>302,117</u>
<u>Additional information</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Average impaired loans YTD	94,982	288,266
Interest income recognized on impaired loans	17,910	25,005
Allowance on impaired loans	0	267,786

There are no specific allowances on impaired loans at June 30, 2009, compared to one specific allowance totaling \$267,786 for the same period in the prior year.

**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.

**Note 7 - Subsequent Events:**

The Association has evaluated subsequent events through July 21, 2009, which is the date the financial statements were available to be issued.

## 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 Stephens ..... Operations 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 Mackert ..... Operations Assistant  
 Tina Morton..... Operations Assistant