Farm Credit of Central Florida, ACA

THIRD QUARTER 2007

Richard W. Joyner
Chief Executive Officer

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October 24, 2007

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Central Florida, ACA (Association) for the period ended September 30, 2007. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2006 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including citrus, fruits/vegetables, horticulture, and cattle. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, reduces the level of dependency on a given commodity.

The gross loan volume of the Association as of September 30, 2007, was $341,033, a decrease of $8,139 as compared to $349,172 at December 31, 2006. Net loans outstanding at September 30, 2007, were $339,620 as compared to $347,533 at December 31, 2006. The Association has investment securities that are classified as held to maturity in the amount of $28,967 at September 30, 2007 as compared to $38,704 at December 31, 2006. Net loans and investment securities accounted for 92.55 percent of total assets at September 30, 2007, as compared to 92.75 percent of total assets at December 31, 2006.

The decrease in gross loan volume is attributed to increased loan participations sold to AgFirst Farm Credit Bank (the Bank) coupled with the reduction caused by seasonal lending. The short-term portfolio, which is heavily influenced by operating loans, normally reaches a peak between September and December and then declines between February and August, as strawberry and other winter vegetables are marketed and proceeds are applied to the operating loans.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased $811 to $4,330 at September 30, 2007, compared to $3,519 at December 31, 2006, the majority being due to the weaknesses associated with one loan in the nursery industry.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at September 30, 2007, was $1,413 compared to $1,639 at December 31, 2006, and is considered by management to be adequate to cover possible losses.

RESULTS OF OPERATIONS

For the three months ended September 30, 2007

Net income for the three months ended September 30, 2007, totaled $2,984, as compared to $2,823 for the same period in 2006. Net interest income decreased $397 for the three months ended September 30, 2007, as compared to the same period in 2006. The primary reasons for this decrease in net interest income are that the volume of net accruing loans and investments are less as compared to the same time last year.

At September 30, 2007, interest income on accruing loans decreased $1,135 to $7,209 as compared to $8,344 at September 30, 2006. Nonaccrual income was $3 for the three months ended September 30, 2007, as compared to $4 for the same period in 2006. Interest income on investment securities was $414 for the three months ended September 30, 2007 as compared to $543 for the same period in 2006. Interest expense decreased $867 for the three months ended September 30, 2007 as compared to the same period in 2006. The Association had allowance for loan loss reversal income of $150 for the three months ending September 30, 2007 as compared to $112 for the same period in 2006.

Noninterest income for the three months ended September 30, 2007, totaled $1,948, as compared to $1,201 for the same period of 2006, an increase of $747. The increase is primarily the result of the increases in equity in earnings of the Bank ($573), fees for financially related services ($125) and noninterest income ($60) being partially offset by the reduction in loan fees ($11). Noninterest expense for the three months ended September 30, 2007, increased $227 compared to the same period of 2006. The primary reasons for the increase in noninterest expense were increases in salary and employee benefits expenses ($213), other operating expenses ($32), and occupancy and equipment expense ($6) being partially offset by the reduction in insurance fund premiums ($24).

For the nine months ended September 30, 2007

Net income for the nine months ended September 30, 2007, totaled $8,745 as compared to $7,574 for the same period in 2006. Net interest income decreased $1,098 for the nine months ended September 30, 2007, as compared to the same period in 2006. The primary reasons for this decrease in net interest income are that the volume of net accruing loans and investments are less as compared to the same time last year.

At September 30, 2007, interest income on accruing loans decreased $2,234 to $21,506 as compared to $23,740 at September 30, 2006. Nonaccrual income was $4 for the nine months ended September 30, 2007, as compared to $20 for the same period in 2006. Interest income on investment securities was $1,302 for the nine months ended September 30, 2007 as compared to $1,417 for the same period in 2006. Interest expense decreased $1,251 for the nine months ended September 30, 2007 as compared to the same period in 2006. The Association had allowance for loan loss reversal income of $250 for the nine months ending September 30, 2007 as compared to $112 for the same period in 2006.

Noninterest income for the nine months ended September 30, 2007, totaled $5,992, as compared to $3,301 for the same period of 2006, an increase of $2,691. The increase is primarily the result of the increase in equity in earnings of the Bank ($2,225), fees for financially related services ($361), loan fees ($61), and other noninterest income ($44). Noninterest expense for the nine months ended September 30, 2007, increased $564 compared to the same period of 2006. The primary reasons for the increase in noninterest expense were increases in salary and employee benefits expenses ($504), other operating expenses ($98) occupancy and equipment expense ($20) being partially offset by reductions in insurance fund premiums ($58).

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The funds are advanced by the Bank to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at September 30, 2007, was $315,358 as compared to $334,575 at December 31, 2006. The decrease is attributable to the application of proceeds from loan payments and payoffs in the normal course of business.

CAPITAL RESOURCES

Total members' equity at September 30, 2007, increased to $75,069 from the December 31, 2006, total of $69,100. The increase is primarily attributed to the increase in surplus along with a very small increase in capital stock and participation certificates.

Total capital stock and participation certificates were $1,324 on September 30, 2007, compared to $1,306 on December 31, 2006. This increase is attributed to new stock purchases being partially offset by the retirement of protected stock and participation certificates on loans liquidated in the normal course of business.

Farm Credit Administration regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of September 30, 2007, the Association's total surplus ratio and core surplus ratio were 14.69 percent and 11.81 percent, respectively, and the permanent capital ratio was 15.71 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 316, or writing Wanda Martin, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, ***www.agfirst.com***. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-533-2773, or writing Greg Ellis, CFO, Farm Credit of Central Florida, ACA, P. O. Box 8009, Lakeland, FL 33802, or accessing the website, ***www.farmcreditcfl.com***. The Association prepares a quarterly report within 45 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of Central Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2007 *(unaudited)*	December 31, 2006 *(audited)*
Assets		
Cash	$ 12	$ 63
Investment securities, held to maturity	28,967	38,704
Loans	341,033	349,172
Less: allowance for loan losses	1,413	1,639
Net loans	339,620	347,533
Accrued interest receivable	3,076	3,582
Investment in other Farm Credit institutions	16,391	15,822
Premises and equipment, net	1,027	1,139
Prepaid retirement expense	3,262	3,609
Due from AgFirst Farm Credit Bank	4,712	4,523
Other assets	1,196	1,469
Total assets	$ 398,263	$ 416,444
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 315,358	$ 334,575
Accrued interest payable	1,583	1,680
Patronage refund payable	30	3,603
Other liabilities	6,223	7,486
Total liabilities	323,194	347,344
Commitments and contingencies		
Members' Equity		
Protected borrower equity	64	97
Capital stock and participation certificates	1,260	1,209
Retained earnings		
Allocated	26,512	28,995
Unallocated	47,233	38,799
Total members' equity	75,069	69,100
Total liabilities and members' equity	$ 398,263	$ 416,444

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

Farm Credit of Central Florida, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended September 30, 2007	For the three months ended September 30, 2006	For the nine months ended September 30, 2007	For the nine months ended September 30, 2006
Interest Income				
Loans	$ 7,209	$ 8,344	$ 21,506	$ 23,740
Investment securities	414	543	1,302	1,417
Total interest income	7,623	8,887	22,808	25,157
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	4,932	5,799	14,917	16,168
Net interest income	2,691	3,088	7,891	8,989
Provision for (reversal of allowance for) loan losses	(150)	(112)	(250)	(112)
Net interest income after provision for (reversal of allowance for) loan losses	2,841	3,200	8,141	9,101
Noninterest Income				
Loan fees	300	311	700	639
Fees for financially related services	132	7	369	8
Equity in earnings of other Farm Credit institutions	1,441	868	4,779	2,554
Other noninterest income	75	15	144	100
Total noninterest income	1,948	1,201	5,992	3,301
Noninterest Expense				
Salaries and employee benefits	1,141	928	3,356	2,852
Occupancy and equipment	172	166	523	503
Insurance Fund premium	129	153	390	448
Other operating expenses	363	331	1,119	1,021
Total noninterest expense	1,805	1,578	5,388	4,824
Income before income taxes	2,984	2,823	8,745	7,578
Provision (benefit) for income taxes	—	—	—	4
Net income	$ 2,984	$ 2,823	$ 8,745	$ 7,574

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

Farm Credit of Central Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Capital	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2005	$ 146	$ 1,169	$ 27,008	$ 38,134	$ 66,457
Net income				7,574	7,574
Protected borrower equity retired	(45)				(45)
Capital stock/participation certificates issued		176			176
Capital stock/participation certificates retired		(153)			(153)
Retained earnings retired			(5,036)		(5,036)
Distribution adjustment			423	(645)	(222)
Balance at September 30, 2006	$ 101	$ 1,192	$ 22,395	$ 45,063	$ 68,751
Balance at December 31, 2006	$ 97	$ 1,209	$ 28,995	$ 38,799	$ 69,100
Net income				8,745	8,745
Protected borrower equity retired	(33)				(33)
Capital stock/participation certificates issued		166			166
Capital stock/participation certificates retired		(115)			(115)
Retained earnings retired			(2,178)		(2,178)
Distribution adjustment			(305)	(311)	(616)
Balance at September 30, 2007	$ 64	$ 1,260	$ 26,512	$ 47,233	$ 75,069

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

Notes to the Consolidated Financial Statements

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of Central Florida, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2006, are contained in the 2006 Annual Report to Shareholders. These unaudited third quarter 2007 consolidated financial statements should be read in conjunction with the 2006 Annual Report to Shareholders.

On September 29, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 – Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Standard is effective for employers with publicly traded securities for the fiscal year ending after December 15, 2006 and for employers without publicly traded securities for the fiscal year ending after June 15, 2007. The Association will be required to implement the Standard for the year ended December 31, 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year-end financial statements. Currently, the Association uses a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year-end is effective for fiscal years ending after December 15, 2008. The Association is currently evaluating the impact of implementing this Standard. It is anticipated that the impact from the implementation of this Standard will have no impact on the consolidated income statement and, based on the current funded status of the defined benefit plans, it is not expected to have a material or significant impact on the consolidated balance sheet.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles. The results for the nine months ended September 30, 2007, are not necessarily indicative of the results to be expected for the year ending December 31, 2007.

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

The Association maintains an allowance for loan losses in accordance with generally accepted accounting principles. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of September 30, 2007, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Investment Securities: The Association, as permitted under the FCA regulations, holds investments for purposes of maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk. The Association's investments are classified as held to maturity and accordingly have been reported at amortized cost. Purchased premiums and discounts are amortized or accreted ratably over the term of the respective security.

The Association reviews all investments that are in a loss position in order to determine whether the unrealized loss, which is considered an impairment, is temporary or permanent. In the event of permanent impairment, the cost basis of the investment would be written down to its fair value, and the realized loss would be included in current earnings.

NOTE 2 — ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	For the nine months ended September 30, 2007	2006
Balance at beginning of period	$ 1,639	$ 2,133
Provision for (reversal of) loan losses	(250)	(112)
Recoveries, net of loans charged off	24	118
Balance at end of period	$ 1,413	$ 2,139

NOTE 3 – EMPLOYEE BENEFIT PLANS

The Association participates in a Districtwide defined benefit retirement plan. The costs of the plan are not segregated by participating entities but are allocated among the participating entities. Pension costs are allocated by multiplying the District's net pension expense times each institution's salary expense as a percentage of the District's salary expense. The Association also participates in Districtwide Thrift and other postretirement benefit plans.

The following is a table of retirement and postretirement benefit expense:

	For the nine months ended September 30,	
	2007	2006
Pension	$ 346	$ 395
Thrift/deferred compensation	83	72
Other postretirement benefits	122	130
Total	$ 551	$ 597

As of September 30, 2007, no contributions have been made to the pension plan for 2007. The Association does not anticipate making additional contributions for the remainder of 2007.