Yankee Farm Credit, ACA

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CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED MARCH 31, 2009

May 1, 2009

Dear Shareholder:

Enclosed are the Association's consolidated financial statements for the first quarter of 2009. These statements should be read in conjunction with the 2008 Annual Report to Shareholders.

The purpose of these financial statements is to provide timely financial information about your Association's financial condition and results of operations. Should you have any questions about these statements, please call us.

As a shareholder, your investment in the Association is materially affected by the financial condition and results of operations of CoBank, ACB. CoBank's annual and quarterly reports are available at no charge from any of our offices. Our office locations are listed at the end of this report.

The undersigned certify that they have reviewed this report and it has been prepared in accordance with all statutory and regulatory requirements and that the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief. The financial statements, in the opinion of management, fairly present the financial condition of the institution except as noted.

Sincerely,

Paul E. Gingue
Chairperson

George S. Putnam
President and CEO

Pamela A. Simek
Controller

YANKEE FARM CREDIT, ACA

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

First Quarter Ended March 31, 2009
(Dollars in thousands, except as noted)
(Unaudited)

Results of Operations: First Quarter

Net income for the first quarter of 2009 was $1.431 million, down $406 thousand (22%) from net income of $1.837 million in the first quarter of 2008.

Net interest income before the provision for loan losses was up $68 thousand (3%) in 2009 as compared to 2008. The following table shows the components of this increase:

Changes in net interest income due to:		
Changes in volumes of accrual loans & debt	$	192
Changes in interest rates on accrual loans & debt		(219)
Changes in interest income on nonaccrual loans		-
Changes in interest rate swap income		97
Other adjustments		(2)
Total change in net interest income	$	68

Changes in accrual volumes and rates are shown in the following table:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Average accrual loan volume	$ 324,192	$ 293,520
Average interest rate on loans	4.14%	6.30%
Average interest rate spread	2.77%	2.66%

Average loan volume was higher in 2009. The average interest rate spread was higher in 2009, while the general level of interest rates was lower. A lower level of interest rates generally contributes to lower net interest income, all other factors being equal. As shown in the first table above, the net effect of changes in interest rates on net interest income was a decrease of $219 thousand. This decrease was offset by the increase of $192 thousand from the change in accrual loan volume, along with the increase of $97 thousand from interest rate swap income.

There was a provision for loan losses of $213 thousand in the first quarter of 2009, as compared to a reversal to the provision for loan losses of $179 thousand in the first quarter of 2008.

Other income increased by $89 thousand (14%) in 2009 as compared to 2008. This was partially due to an increase of $52 thousand (22%) in fees for financial services in 2009.

Other expense increased by $171 thousand (12%) in 2009 as compared to 2008. Salaries and employee benefits increased by $103 thousand (14%). The Farm Credit Insurance Fund Premium increased by $35 thousand (32%). These increases were partially offset by a decrease of $10 thousand (4%) in the fees paid to Farm Credit Financial Partners.

Loan Portfolio and Financial Condition

Loans originated by the Association decreased by $13.6 million (4%) from year-end. Loans purchased decreased by $0.3 million (2%) from year-end, and participations sold decreased by $12.6 million (29%). Loans held by the Association decreased by $1.4 million (less than 1%) from year-end.

The loan portfolio continues to be concentrated in the dairy industry. Farm prices for dairy products decreased in the first quarter of 2009. Federal Order 1 prices for the first quarter of 2009 averaged $13.13/cwt, down $4.68/cwt (26%) from the fourth quarter of 2008, and down $7.62/cwt (37%) from the first quarter of 2008. (Prices quoted do not include the effect of the Milk Income Loss Contract (MILC or MILCX) program, which began December 1, 2001.) The change in prices received for dairy products has been accompanied by a slight decrease in the cost of farm inputs, particularly purchased feed. The composite Feed Index published by the USDA was 167 for the first quarter of 2009, down 5% from the fourth quarter of 2008, and down 5% from the first quarter of 2008. (Feed Index = 100 for 1990-1992)

Loan quality worsened slightly but remained strong through the first quarter of 2009. Loans graded Substandard or lower were 2.9% of total loans at March 31, 2009, up 0.7% from year-end. High risk assets comprised 1.4% of loans and related assets at March 31, 2009, up 0.9% from year-end. (High risk assets include nonaccrual loans, accrual restructured loans, loans delinquent 90 days or more but not yet classified as nonaccrual, and other property owned.) Repayment performance remained satisfactory. Accrual loans delinquent 30 days or more were 0.4% at March 31, 2009, down 0.1% from year-end. The 12-month rolling average for this statistic was 0.4% at March 31, 2009, unchanged from year-end. There were no charge-offs or recoveries in the first quarter of 2009, as compared to no charge-offs and recoveries of $16 thousand in the first quarter of 2008.

As discussed in the 2008 Annual Report to Shareholders, the Association declared a patronage distribution of $2.790 million based on 2008 earnings, 100% in cash. This was paid on March 25, 2009.

Members' equity as a percentage of assets was 20.0% at March 31, 2009 as compared to 19.6% at year-end. The Association's permanent capital ratio was 17.8% at March 31, 2009, down 1.4% from year-end.

These financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

YANKEE FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31, 2009	December 31, 2008
	(in thousands)	
ASSETS		
Loans originated by the Association	$ 340,980	$ 354,583
Plus loans purchased	14,332	14,671
Less participations sold	30,920	43,493
Loans held by the Association	324,392	325,761
Less allowance for loan losses	1,971	1,758
Net loans	322,421	324,003
Cash	2,070	1,770
Accrued interest receivable	864	1,007
Patronage refunds due from CoBank, ACB	378	1,411
Investment in CoBank, ACB	11,900	11,779
Mission related investment	401	401
Premises and equipment, less accumulated depreciation	1,038	1,070
Other assets	2,181	2,063
Total assets	$ 341,253	$ 343,504
LIABILITIES		
Note payable to CoBank, ACB	$ 269,844	$ 271,461
Patronage distribution payable	703	2,790
Other liabilities	2,507	1,771
Total liabilities	273,054	276,022
MEMBERS' EQUITY		
Capital stock and participation certificates	959	939
Unallocated surplus	68,341	67,613
Accumulated other comprehensive income	(1,101)	(1,070)
Total members' equity	68,199	67,482
Total liabilities and members' equity	$ 341,253	$ 343,504

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

YANKEE FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	(in thousands)	
INTEREST INCOME		
Loans	$ 3,317	$ 4,599
Total interest income	3,317	4,599
INTEREST EXPENSE		
Note payable to CoBank, ACB	828	2,178
Total interest expense	828	2,178
Net interest income	2,489	2,421
Provision for loan losses	213	(179)
Net interest income after provision for loan losses	2,276	2,600
OTHER INCOME		
Patronage refunds from CoBank, ACB	387	346
Fees for financial services	291	239
Loan fees and other income	31	35
Total other income	709	620
OTHER EXPENSE		
Salaries and employee benefits	863	760
Occupancy and equipment	95	77
Farm Credit Insurance Fund premium	145	110
Fees paid to Farm Credit Financial Partners, Inc.	231	241
Other expenses	216	191
Total other expense	1,550	1,379
Income before income taxes	1,435	1,841
Provision for income taxes	4	4
Net income	$ 1,431	$ 1,837

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

YANKEE FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Unaudited)

	Capital Stock and Participation Certificates	Surplus Allocated	Surplus Unallocated	Accumulated Other Comprehensive Income	Total Members' Equity
			(in thousands)		
Balance at December 31, 2007	$ 906	$ -	$ 65,852	$ (375)	$ 66,383
Adjustment to beginning balance due to FAS No. 158 measurement date change	-	-	-	8	8
Balance at January 1, 2008	906	-	65,852	(367)	66,391
Comprehensive income					
Net income	-	-	1,837	-	1,837
Other comprehensive income					
Net unrealized gains (losses) on interest rate swaps	-	-	-	253	253
Total comprehensive income					2,090
Capital stock/PCs issued	31	-	-	-	31
Capital stock/PCs retired	(32)	-	-	-	(32)
Patronage distribution accrued					
Cash	-	-	(636)	-	(636)
Adjustment for Rounding	-	-	1	-	1
Balance at March 31, 2008	$ 905	$ -	$ 67,054	$ (114)	$ 67,845
Balance at December 31, 2008	$ 939	$ -	$ 67,613	$ (1,070)	$ 67,482
Comprehensive income					
Net income	-	-	1,431	-	1,431
Other comprehensive income	-	-	-	-	-
Net unrealized gains (losses) on interest rate swaps	-	-	-	(31)	(31)
Total comprehensive income					1,400
Capital stock/PCs issued	49	-	-	-	49
Capital stock/PCs retired	(29)	-	-	-	(29)
Patronage distribution accrued					
Cash	-	-	(703)	-	(703)
Balance at March 31, 2009	$ 959	$ -	$ 68,341	$ (1,101)	$ 68,199

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

YANKEE FARM CREDIT, ACA

Notes To Consolidated Financial Statements

First Quarter Ended March 31, 2009
(Dollars in thousands, except as noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Yankee Farm Credit, ACA (the Association) is a member-owned cooperative within the Farm Credit System. A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2008 are contained in the 2008 Annual Report to Shareholders. These unaudited first quarter 2009 financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

Effective January 1, 2009, the Association adopted SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," which amends and expands the disclosure requirements for derivative instruments and for hedging activities previously required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 161 states that an entity with derivative instruments shall disclose information to enable users of the financial statements to understand:

- How and why an entity uses derivative instruments;
- How derivative instruments and related hedged items are accounted for under this Statement and related interpretations;
- How derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flow.

The adoption of this Standard did not have an impact on the financial statements; however, the derivative instruments disclosures have been expanded in accordance with SFAS No. 161.

Effective January 1, 2009, the Association adopted FASB Staff Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157, "Fair Value Measurements," 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. The results of operations for the three month period ended March 31, 2009 are not necessarily indicative of the results to be expected for the full year.

NOTE 2 - ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Balance at beginning of quarter	$ 1,758	$ 960
Provision for loan losses	213	(179)
Charge-offs	-	-
Recoveries	-	16
Balance at end of quarter	$ 1,971	$ 797

The following table presents information concerning impaired loans as of quarter-end. The Association defines impaired loans to be nonaccrual loans plus accrual restructured loans.

	March 31, 2009	March 31, 2008
Impaired loans with related allowance	$ 4,050	$ 232
Impaired loans with no related allowance	402	438
Total impaired loans	$ 4,452	$ 670
Allowance on impaired loans	$ 285	$ 12

The following table summarizes impaired loan information for the quarter ended March 31:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Average impaired loans	$ 3,461	$ 624
Interest income recognized on impaired loans	6	5

NOTE 3 - CAPITAL

Please see the 2008 Annual Report to Shareholders, particularly Note 7 to the Financial Statements, for a description of the Association's capitalization policies. The Association's requirement for purchased equities (stock and participation certificates) is presently the legal minimum of 2.0% of the loan with a cap of $1 thousand.

The patronage distribution for 2008 was $2.790 million and was distributed 100% in cash on March 25, 2009. A patronage distribution program is also in effect for 2009. The amount of the patronage distribution for 2009 will depend on financial results for the year as a whole and is therefore not known with certainty at this time. However, management estimates that the patronage distribution attributable to the first quarter of 2009 is approximately $703 thousand. Management believes it is probable that the 2009 patronage distribution will be paid 100% in cash. Therefore, the accompanying financial statements show an interim accrual at the end of the first quarter of 2009 for patronage distribution payable of $703 thousand. The corresponding interim accrual at the end of the first quarter of 2008 for patronage distribution payable was $636 thousand (also 100% cash).

The Association's regulatory capital ratios were:

	Value At March 31, 2009	Value At December 31, 2008	Regulatory Minimum
Core surplus ratio	17.4%	18.7%	3.5%
Total surplus ratio	17.5%	18.9%	7.0%
Permanent capital ratio	17.8%	19.2%	7.0%

NOTE 4 - INCOME TAXES

Please see the 2008 Annual Report to Shareholders, particularly Note 8 to the Financial Statements, for a description of the Association's deferred tax assets and liabilities and the corresponding valuation allowance. There were no significant changes in the composition or valuation of tax assets/liabilities during the first quarter of 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. Please see the 2008 Annual Report to Shareholders, particularly Note 2K and Note 11 to the Financial Statements, for a more complete description.

Assets measured at a fair value on a recurring basis at March 31, 2009 are summarized below:

	Fair Value Measurement Using Level 1	Level 2	Level 3
Assets:			
Interest Rate Swaps	$ -	$ 625	$ -
Total Assets	$ -	$ 625	$ -

Assets measured at a fair value on a non-recurring basis at March 31, 2009 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Nonaccrual loans	$ -	$ -	$ 4,182
Total Assets	$ -	$ -	$ 4,182

There were no liabilities measured at fair value on a recurring or non-recurring basis at March 31, 2009.

As more fully discussed in Note 2K and Note 11 of the 2008 Annual Report to Shareholders, SFAS No. 157 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Associations' assets.

Derivatives: The Association's derivatives meet the definition of Level 2 financial instruments. The derivative positions are valued using internally developed models that use as their basis readily observable market parameters such as benchmark interest rate curves, volatility and other inputs that are observable directly or indirectly in the marketplace.

Loans: For certain loans evaluated for impairment the fair value is based upon the underlying collateral, since the loans were collateral dependent loans. These loans are generally classified as Level 3.

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

Effective January 1, 2009, the Association adopted SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," which amends and expands the disclosure requirements for derivative instruments and for hedging activities previously required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

The Association enters into derivative financial instruments known as "received fixed" interest rate swaps. The counterparty to the Association's swaps is CoBank. Please see the 2008 Annual Report to Shareholders, particularly Note 2J and Note 15 to the Financial Statements, for a more complete description.

The following tables show the impact of these derivatives on the financial statements as of or for the quarter end:

	March 31,	
	2009	2008
Balance sheet:		
Accrued interest receivable	$ 25	$ 12
Accrued interest payable (included in other liabilities)	-	-
Positive fair values (included in other assets)	625	413
Negative fair values (included in other liabilities)	-	-
Accumulated other comprehensive income	598	405

	Three Months Ended March 31,	
	2009	2008
Income statement:		
(Decreased) increased interest expense	$ (81)	$ 16
Other comprehensive income:		
Net unrealized gains (losses) on Interest rate swaps	$ (31)	$ 253

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OFFICE LOCATIONS

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