Yankee Farm Credit, ACA

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CONSOLIDATED FINANCIAL STATEMENTS
THIRD QUARTER ENDED SEPTEMBER 30, 2012

November 5, 2012

Dear Shareholder:

Enclosed are the Association's consolidated financial statements for the third quarter of 2012. These statements should be read in conjunction with the 2011 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.

Copies of the Association's annual and quarterly reports are available to members at no charge from any of our local offices or by accessing the Association's website at www.yankeeaca.com. The Association's annual reports are available 75 days after year end, and quarterly reports are available 40 days after the end of each calendar quarter. 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,

Rocky Giroux
Rocklyn A. Giroux
Chairperson, Board of Directors

George S. Putnam
George S. Putnam
President and CEO

Rocki-Lee DeWitt
Rocki-Lee DeWitt
Chairperson, Audit Committee

Greg M. LeDuc
Greg M. LeDuc
Chief Financial Officer

YANKEE FARM CREDIT, ACA

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

Third Quarter Ended September 30, 2012
(Dollars in thousands, except as noted)
(Unaudited)

Results of Operations: Third Quarter

Net income for the third quarter of 2012 was $1.876 million, up $331 thousand (21%) from net income of $1.545 million in the third quarter of 2011.

Net interest income before the provision for credit losses was up $178 thousand (6%) in 2012 as compared to 2011. The following table shows the components of this increase:

Changes in net interest income due to:		
Changes in volumes of accrual loans & debt	$	242
Changes in interest rates on accrual loans & debt		(38)
Changes in interest income on nonaccrual loans		1
Changes in interest rate swap income		(21)
Other adjustments		(6)
Total change in net interest income	$	178

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

	Three Months Ended September 30, 2012	2011
Average accrual loan volume	$ 352,549	$ 324,684
Average interest rate on loans	4.18%	4.32%
Average interest rate spread	3.39%	3.41%

Average loan volume was higher in 2012, and this contributed an increase of $242 thousand to the total change in net interest income as shown in the first table above. This increase to net interest income was offset by a decrease in average interest rate spread of $38 thousand and swap interest income of $21 thousand as shown in the first table above.

There was a provision for credit losses of $264 thousand in the third quarter of 2012, as compared to a provision for credit losses of $317 thousand in the third quarter of 2011.

Other income increased by $174 thousand (33%) in 2012 as compared to 2011. Fees for financial services and Patronage refunds from CoBank increased by $168 thousand.

Other expense increased by $74 thousand (5%) in 2012 as compared to 2011. Other expenses and salaries and employee benefits increased by $80 thousand.

Results of Operations: Year-to-Date

Net income through the third quarter of 2012 was $6.396 million, up $1.020 million (19%) from net income of $5.376 million through the third quarter of 2011.

There was a provision for credit losses of $151 thousand through the third quarter of 2012, as compared to a provision for credit losses of $317 thousand for the same period in 2011.

Net interest income before the provision for loan losses was up $358 thousand (4%) in 2012 as compared to 2011. The following table shows the components of this increase:

Changes in net interest income due to:		
Changes in volumes of accrual loans & debt	$	491
Changes in interest rates on accrual loans & debt		30
Changes in interest income on nonaccrual loans		(43)
Changes in interest rate swap income		(123)
Other adjustments		3
Total change in net interest income	$	358

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

	Nine Months Ended September 30, 2012		2011	
Average accrual loan volume	$	342,796	$	324,665
Average interest rate on loans		4.22%		4.33%
Average interest rate spread		3.41%		3.38%

Average loan volume was higher in 2012, contributing an increase of $491 thousand to the total change in net interest income, as shown in the first table above. The average interest rate spread was higher in 2012 which contributed to an increase of $30 thousand in net interest income, as shown in the first table above. These increases to net interest income were offset by decreases in interest swap income of $123 thousand and interest income on nonaccruals loans of $43 thousand, as shown in the first table above.

Other income increased by $677 thousand (36%) in 2012 as compared to 2011. This increase resulted primarily from $393 thousand in refunds received in 2012 from the Farm Credit System Insurance Corporation related to the Farm Credit Insurance Fund. There were no such refunds received in 2011.

Other expense increased by $181 thousand (4%) in 2012 as compared to 2011. Other expenses and salaries and employee benefits expense increased by $161 thousand.

Loan Portfolio and Financial Condition

Loans originated by the Association increased by $21.2 million (6%) from year-end. Loans purchased increased by $7.6 million (70%) from year-end, and participations sold increased by $5.9 million (11%). Loans held by the Association increased by $22.9 million (7%) from year-end.

The loan portfolio continues to be concentrated in the dairy industry. Farm prices for dairy products increased in the third quarter of 2012. Federal Order 1 prices for the third quarter of 2012 averaged $17.41/cwt, up $0.20/cwt (1%) from the second quarter of 2012, and down $5.28/cwt (23%) from the third quarter of 2011. (Prices quoted do not include the effect of the Milk Income Loss Contract (MILC) program, which began December 1, 2001.) The change in prices received for dairy products has been accompanied by an increase in the cost of farm inputs, particularly purchased feed. The composite Feed Index published by the USDA was 287 for the third quarter of 2012, up 15% from the second quarter of 2012, and up 21% from the third quarter of 2011. (Feed Index = 100 for 1990-1992)

Loan quality improved slightly through the third quarter of 2012. Loans graded Substandard or lower were 4.7% of total loans at September 30, 2012, 0.2% improved from year-end. High risk assets comprised 1.6% of loans and related assets at September 30, 2012, no change from year-end. (High risk assets include nonaccrual loans, troubled debt restructured loans, loans delinquent 90 days or more but not yet classified as nonaccrual, and other property owned.) Repayment performance remained satisfactory. Loans (both accrual and nonaccrual) delinquent 30 days or more were 0.8% at September 30, 2012, 0.6% improved from year-end. The 12-month rolling average for this statistic was 1.2% at September 30, 2012, 0.2% improved from year-end. There were no charge-offs, but recoveries of $6 thousand in the first three quarters of 2012. There were no charge-offs, but recoveries of $4 thousand in the first three quarters of 2011.
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Management's Discussion & Analysis (cont.)

As discussed in the 2011 Annual Report to Shareholders, the Association declared a patronage distribution of $3.664 million based on 2011 earnings, 100% in cash. This was paid on March 20, 2012.

Members' equity as a percentage of assets was 21.1% at September 30, 2012 as compared to 21.4% at year-end. The Association's permanent capital ratio was 20.4% at September 30, 2012, down 0.2% 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)

	September 30, 2012	December 31, 2011
ASSETS		
Loans originated by the Association	$ 402,941	$ 381,731
Plus loans purchased	18,377	10,803
Less participations sold	58,454	52,530
Loans held by the Association	362,864	340,004
Less allowance for loan losses	4,909	4,884
Net loans	357,955	335,120
Cash	622	1,102
Accrued interest receivable	1,155	861
Patronage refunds due from CoBank, ACB	1,272	1,639
Investment in CoBank, ACB	13,456	13,300
Mission related investment	724	696
Premises and equipment, less accumulated depreciation	1,095	1,099
Other assets	1,530	1,240
Total assets	$ 377,809	$ 355,057
LIABILITIES		
Note payable to CoBank, ACB	$ 294,446	$ 273,562
Patronage distribution payable	2,584	3,664
Reserve for unfunded commitments	307	174
Other liabilities	824	1,841
Total liabilities	298,161	279,241
MEMBERS' EQUITY		
Capital stock and participation certificates	1,020	993
Unallocated surplus	80,611	76,798
Accumulated other comprehensive income	(1,983)	(1,975)
Total members' equity	79,648	75,816
Total liabilities and members' equity	$ 377,809	$ 355,057

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
INTEREST INCOME				
Loans	$ 3,704	$ 3,538	$ 10,832	$ 10,555
Total interest income	3,704	3,538	10,832	10,555
INTEREST EXPENSE				
Note payable to CoBank, ACB	577	589	1,688	1,769
Total interest expense	577	589	1,688	1,769
Net interest income	3,127	2,949	9,144	8,786
Provision for credit losses	264	317	151	317
Net interest income after provision for credit losses	2,863	2,632	8,993	8,469
OTHER INCOME				
Patronage refunds from CoBank, ACB	447	382	1,276	1,128
Fees for financial services	220	117	835	699
Loan fees and other income	27	21	459	66
Total other income	694	520	2,570	1,893
OTHER EXPENSE				
Salaries and employee benefits	1,037	1,000	3,131	2,970
Occupancy and equipment	85	84	251	227
Farm Credit Insurance Fund premium	30	36	89	111
Fees paid to Farm Credit Financial Partners, Inc.	238	239	714	718
Other expenses	287	244	970	947
Total other expense	1,677	1,603	5,155	4,973
Income before income taxes	1,880	1,549	6,408	5,389
Provision for income taxes	4	4	12	12
Net income	$ 1,876	$ 1,545	$ 6,396	$ 5,377
OTHER COMPREHENSIVE (LOSS) INCOME				
OCI related to swaps	-	(22)	(8)	(122)
Comprehensive income	$ 1,876	$ 1,523	$ 6,388	$ 5,255

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, 2010	$ 1,005	$ -	$ 73,427	$ (1,603)	$ 72,829
Comprehensive income					
Net income	-	-	5,377	-	5,377
Other comprehensive income					
Net unrealized gains (losses) on interest rate swaps	-	-	-	(122)	(122)
Change in minimum pension liability	-	-	-	-	-
Total comprehensive income	-	-	5,377	(122)	5,255
Capital stock/PCs issued	85	-	-	-	85
Capital stock/PCs retired	(94)	-	-	-	(94)
Patronage distribution accrued					
Cash	-	-	(2,462)	-	(2,462)
Balance at September 30, 2011	$ 996	$ -	$ 76,342	$ (1,725)	$ 75,613
Balance at December 31, 2011	$ 993	$ -	$ 76,798	$ (1,975)	$ 75,816
Comprehensive income					
Net income	-	-	6,396	-	6,396
Other comprehensive income					
Net unrealized gains (losses) on interest rate swaps	-	-	-	(8)	(8)
Change in minimum pension liability	-	-	-	-	-
Total comprehensive income	-	-	6,396	(8)	6,388
Capital stock/PCs issued	127	-	-	-	127
Capital stock/PCs retired	(100)	-	-	-	(100)
Patronage distribution accrued					
Cash	-	-	(2,584)	-	(2,584)
Adjustment for rounding	-	-	1	-	1
Balance at September 30, 2012	$ 1,020	$ -	$ 80,611	$ (1,983)	$ 79,648

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

YANKEE FARM CREDIT, ACA

Notes To Consolidated Financial Statements

Third Quarter Ended September 30, 2012
(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, 2011 are contained in the 2011 Annual Report to Shareholders. These unaudited third quarter 2012 financial statements should be read in conjunction with the 2011 Annual Report to Shareholders.

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, “Balance Sheet – Disclosures about Offsetting Assets and Liabilities.” The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity’s recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance will not impact the financial condition or results of operations, but will result in additional disclosures.

In September 2011, the FASB issued guidance entitled, “Compensation – Retirement Benefits – Multiemployer Plans.” The guidance is intended to provide more information about an employer’s financial obligations to a multiemployer pension plan, which should help financial statement users better understand the financial health of significant plans that the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer, and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2012 for non-public entities. The amendments should be applied retrospectively for all prior periods presented. The adoption will not impact the Association’s financial condition or results of operation.

In June and December 2011, the FASB issued guidance entitled, “Comprehensive Income – Presentation of Comprehensive Income.” This guidance is intended to increase the prominence of other comprehensive income in financial statements. The current option that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The main provisions of the guidance provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements. This guidance did not change the items that must be reported in other comprehensive income. With either approach, an entity is required to present reclassification adjustments for items reclassified from other comprehensive income to net income in the statement(s). The December 2011 guidance deferred the effective date for the presentation of reclassification adjustments.

This guidance is to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income

In May 2011, the FASB issued guidance entitled, “Fair Value Measurement – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs.” The amendments clarify certain aspects of the fair value measurement and disclosure requirements. The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 31, 2011. The adoption of this guidance did not impact the financial condition or results of operations but resulted in additional disclosures.

In April 2011, the FASB issued its guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a troubled debt restructuring. In evaluating whether a restructuring is a troubled debt restructuring, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. The guidance is effective for nonpublic entities for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The adoption of this guidance was not material to the 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 to generally accepted accounting principles and prevailing practices within the banking industry. The results of operations for the nine month period ended September 30, 2012 are not necessarily indicative of the results to be expected for the full year.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

	Value at	
	September 30, 2012	December 31, 2011
Long-term farm mortgage	$ 133,233	$ 129,425
Country home	1,642	1,567
Farm related business	55,756	41,553
Production and intermediate term	172,233	167,459
Total loans	$ 362,864	$ 340,004

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. All of the Association's loan purchases and sales are with other Farm Credit institutions. The following table presents information regarding the balances of participations purchased and sold at September 30, 2012:

	Participations Purchased	Participations Sold
Long-term farm mortgage	$ 979	$ 6,104
Farm related business	17,013	20,566
Production and intermediate term	385	31,784
Total loans	$ 18,377	$ 58,454

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	Value at	
	September 30, 2012	December 31, 2011
Nonaccrual Loans:		
Long-term farm mortgage	$ 3,029	$ 3,502
Farm related business	894	762
Production and intermediate term	996	925
Total nonaccrual loans	$ 4,919	$ 5,189
Troubled Debt Restructured Loans:		
Long-term farm mortgage	$ 934	$ 196
Total troubled debt restructured loans	$ 934	$ 196
Accrual Loans ≥ 90 Days Past Due:		
Production and intermediate term	$ -	$ -
Total accrual loans ≥ 90 days past due	$ 0	$ 0
Total nonperforming assets	$ 5,853	$ 5,385

The following table provides an age analysis of past due loans (including accrued interest) as of September 30, 2012:

	Past Due		
	30 – 89 Days	≥ 90 Days	Total
Long-term farm mortgage	$ 946	$ 155	$ 1,101
Farm related business	112	781	893
Production and intermediate term	706	140	846
Total impaired loans	$ 1,764	$ 1,076	$ 2,840

The following table shows loans and related accrued interest classified under the FCA Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2012	December 31, 2011
Long-term farm mortgage		
Acceptable	33.7%	34.2%
OAEM*	0.9%	1.3%
Substandard/doubtful	2.1%	2.5%
	36.7%	38.0%
Country home		
Acceptable	0.4%	0.4%
OAEM*	0.1%	0.1%
Substandard/doubtful	0.0%	0.0%
	0.5%	0.5%
Farm related business		
Acceptable	14.6%	11.9%
OAEM*	0.3%	0.2%
Substandard/doubtful	0.4%	0.2%
	15.3%	12.3%
Production and intermediate term		
Acceptable	42.3%	43.6%
OAEM*	3.0%	3.4%
Substandard/doubtful	2.2%	2.2%
	47.5%	49.2%
Total Loans		
Acceptable	91.0%	90.1%
OAEM*	4.3%	5.0%
Substandard/doubtful	4.7%	4.9%
	100.0%	100.0%

*Other Assets Especially Mentioned

The following tables present information on impaired loans and related amounts in the Allowance for Loan Losses:

	At September 30, 2012		
	Recorded Investment	Unpaid Principal Balance*	Related Allowance
Impaired Loans with a related allowance for loan losses:			
Long-term farm mortgage	$ 3,926	$ 4,472	$ 394
Farm related business	684	809	37
Production and intermediate term	1,147	1,405	305
Total	$ 5,757	$ 6,686	$ 736
Impaired Loans with no related allowance for loan losses:			
Long-term farm mortgage	$ 37	$ 109	$ -
Production and intermediate term	59	146	-
Total	$ 96	$ 255	$ -
Total Impaired Loans:			
Long-term farm mortgage	$ 3,963	$ 4,581	$ 394
Farm related business	684	809	37
Production and intermediate term	1,206	1,551	305
Total	$ 5,853	$ 6,941	$ 736

	At December 31, 2011		
	Recorded Investment	Unpaid Principal Balance*	Related Allowance
Impaired Loans with a related allowance for loan losses:			
Long-term farm mortgage	$ 3,653	$ 4,059	$ 495
Farm related business	762	848	36
Production and intermediate term	865	1,066	109
Total	$ 5,280	$ 5,973	$ 640
Impaired Loans with no related allowance for loan losses:			
Long-term farm mortgage	$ 46	$ 111	$ -
Production and intermediate term	60	142	-
Total	$ 106	$ 253	$ -
Total Impaired Loans:			
Long-term farm mortgage	$ 3,698	$ 4,170	$ 495
Farm related business	762	848	36
Production and intermediate term	925	1,208	109
Total	$ 5,385	$ 6,226	$ 640

*Unpaid principal balance represents the borrower's contractual balance of the loan.

The following tables present additional information on impaired loans:

	Three Months Ended			
	September 30, 2012		September 30, 2011	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired Loans with a related allowance for loan losses:				
Long-term farm mortgage	$ 4,011	$ 12	$ 3,413	$ 4
Farm related business	919	-	814	-
Production and intermediate term	972	2	1,000	-
Total	$ 5,902	$ 14	$ 5,227	$ 4
Impaired Loans with no related allowance for loan losses:				
Long-term farm mortgage	$ 39	$ -	$ 51	$ -
Production and intermediate term	59	-	64	-
Total	$ 98	$ -	$ 115	$ -
Total Impaired Loans:				
Long-term farm mortgage	$ 4,050	$ 12	$ 3,464	$ 4
Farm related business	919	-	814	-
Production and intermediate term	1,031	2	1,064	-
Total	$ 6,000	$ 14	$ 5,342	$ 4

	Nine Months Ended			
	September 30, 2012		September 30, 2011	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired Loans with a related allowance for loan losses:				
Long-term farm mortgage	$ 4,124	$ 27	$ 3,694	$ 41
Farm related business	943	-	568	-
Production and intermediate term	1,040	3	779	13
Total	$ 6,107	$ 30	$ 5,041	$ 54
Impaired Loans with no related allowance for loan losses:				
Long-term farm mortgage	$ 42	$ -	$ 35	$ -
Production and intermediate term	59	-	51	-
Total	$ 101	$ -	$ 86	$ -
Total Impaired Loans:				
Long-term farm mortgage	$ 4,166	$ 27	$ 3,729	$ 41
Farm related business	943	-	568	-
Production and intermediate term	1,099	3	830	13
Total	$ 6,208	$ 30	$ 5,127	$ 54

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Long-term Farm Mortgage	Country Home	Farm Related Business	Production & Intermediate Term	Total
Allowance for Loan Losses:					
Balance at December 31, 2011	$ 2,818	$ 18	$ 240	$ 1,808	$ 4,884
Charge-offs	-	-	-	-	-
Recoveries	-	-	6	-	6
(Reversal of) provision for loan losses	(195)	9	165	40	19
Balance at September 30, 2012	$ 2,623	$ 27	$ 411	$ 1,848	$ 4,909
Ending Balance: individually evaluated for impairment	$ 394	$ -	$ 36	$ 305	$ 735
Ending Balance: collectively evaluated for impairment	2,229	27	375	1,543	4,174
Balance at September 30, 2012	$ 2,623	$ 27	$ 411	$ 1,848	$ 4,909
Recorded Investment in Loans Outstanding:					
Ending Balance for loans individually evaluated for impairment	$ 3,949	$ -	$ 684	$ 1,206	$ 5,839
Ending Balance for loans collectively evaluated for impairment	129,284	1,642	55,072	171,027	357,025
Ending Balance at September 30, 2012	$ 133,233	$ 1,642	$ 55,756	$ 172,233	$ 362,864

In 2011, we revised our methodology for determining the Allowance for Credit Losses. The new methodology takes into consideration potential losses related to unfunded commitments, and as a result, we have established a separate Reserve for Unfunded Commitments, which is included in Other Liabilities on the Association's balance sheet.

The provision for the Reserve for Unfunded Commitments is part of the Provision for Credit Losses on the income statement. The components of the Provision for Credit Losses are presented in the table below:

	Nine Months Ended September 30,	
	2012	2011
Provision for loan losses	$ 19	$ 317
Provision for unfunded commitments	132	-
Total provision for credit losses	$ 151	$ 317

The following table presents additional information regarding troubled debt restructurings through September 30, 2012.

	Nine Months Ended September 30, 2012	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Long-term farm mortgage	$ 731	$ 731

*Pre-modification represents the recorded investment prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The following table provides information on outstanding loans restructured in troubled debt restructurings as of September 30, 2012:

	Loans Modified as TDRs	TDRs in Nonaccrual Status
Long-term farm mortgage	$ 1,054	$ 134
Production and intermediate term	23	23
Total	$ 1,077	$ 157

There were no additional commitments to lend additional funds to members whose loans were classified as troubled debts restructured at September 30, 2012.

NOTE 3 - CAPITAL

Please see the 2011 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 2011 was $3.664 million and was distributed 100% in cash on March 20, 2012. A patronage distribution program is also in effect for 2012. The amount of the patronage distribution for 2012 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 three quarters of 2012 is approximately $2.584 million. Management believes it is probable that the 2012 patronage distribution will be paid 100% in cash. Therefore, the accompanying financial statements show an interim accrual at the end of the first three quarters of 2012 for patronage distribution payable of $2.584 million. The corresponding interim accrual at the end of the third quarter of 2011 for patronage distribution payable was $2.462 million (also 100% cash).

The Association's regulatory capital ratios were:

	Value At		
	September 30, 2012	December 31, 2011	Regulatory Minimum
Core surplus ratio	19.9%	20.3%	3.5%
Total surplus ratio	20.1%	20.3%	7.0%
Permanent capital ratio	20.4%	20.6%	7.0%

Additionally, for 2012, the Association has established an internal minimum of 16.0% for the permanent capital ratio and a goal of 20.5%. The ratio at September 30, 2012, as indicated above, is not indicative of the full year.

NOTE 4 - INCOME TAXES

Please see the 2011 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 three quarters of 2012.

NOTE 5 - FAIR VALUE MEASUREMENTS

Accounting guidance 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 2011 Annual Report to Shareholders, particularly Note 2L and Note 11 to the Financial Statements, for a more complete description.

Assets measured at a fair value on a recurring basis at September 30, 2012 are summarized below:

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

Assets measured at a fair value on a recurring basis at December 31, 2011 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Interest Rate Swaps	$ -	$ 14	$ -
Total Assets	$ -	$ 14	$ -

Assets measured at a fair value on a non-recurring basis at September 30, 2012 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Impaired loans	$ -	$ -	$ 5,386
Total Assets	$ -	$ -	$ 5,386

Assets measured at a fair value on a non-recurring basis at December 31, 2011 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Impaired loans	$ -	$ -	$ 4,999
Total Assets	$ -	$ -	$ 4,999

There were no liabilities measured at fair value on a recurring or non-recurring basis at September 30, 2012.

As more fully discussed in Note 2L and Note 11 of the 2011 Annual Report to Shareholders, accounting guidance 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 only derivatives held by the Association are our interest rate swaps, which 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.

Impaired Loans: For certain loans evaluated for impairment, the fair value is based upon the underlying collateral since the loans were collateral dependent loans. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a results, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Balance Sheet for each of the fair value hierarchy values are summarized as follows:

	September 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Loans, net	$ 357,955	$ 363,192	$ 335,120	$ 338,757
Cash	622	622	1,102	1,102
Interest rate swaps	-	-	14	14
Financial Liabilities:				
Notes payable to CoBank, ACB	$ 294,446	$ 295,339	$ 273,562	$ 272,891
Interest rate swaps	-	-	-	-

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

Loans: Fair value is estimated by discounting the expected future cash flows using the Association's and/or CoBank's current interest rates at which similar loans would be made to borrowers with similar credit risk. As discount rates are based on the Association's current loan rates as well as management estimates, management has no basis to determine whether the estimated fair values presented would be indicative of assumptions and adjustments that a purchaser of the Association's loans would see in an actual sale, which could be less.

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

Interest Rate Swaps: Interest rate swaps are carried at their estimated fair value, calculated as the present value of estimated future cash flows. Depending on the position of the swap, the fair value may either be an asset or a liability.

Note Payable to CoBank, ACB: The note payable is segregated into pricing pools according to the types and terms of the loans (or other assets) which it funds. Fair value of the note 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 note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

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 2011 Annual Report to Shareholders, particularly Note 2K 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:

	Value at	
	September 30, 2012	December 31, 2011
Balance sheet:		
Accrued interest receivable	$ -	$ 3
Accrued interest payable (included in other liabilities)	-	-
Positive fair values (included in other assets)	-	14
Negative fair values (included in other liabilities)	-	-
Accumulated other comprehensive income	-	8

	Nine Months Ended September 30,	
	2012	2011
Statement of income:		
(Decreased) increased interest expense	$ -	$ (110)
Other comprehensive income:		
Net unrealized gains (losses) on Interest rate swaps	$ -	$ (100)

As of June 2012, the Association had suspended the current interest rate swap program.

NOTE 7 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 5, 2012, which is the date the financial statements were available to be issued.

YANKEE FARM CREDIT, ACA
OFFICE LOCATIONS

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Yankee Farm Credit, ACA 130 Upper Welden Street P.O. Box 240 St. Albans, VT 05478 (800) 545-1097 (802) 524-7800	Yankee Farm Credit, ACA 52 Farmvu Drive P.O. Box 1009 White River Jct., VT 05001 (800) 370-3276 (802) 295-3670	Yankee Farm Credit, ACA 289 Hurricane Lane, Suite 102 P.O. Box 467 Williston, VT 05495 (800) 639-3053 (802) 879-4700

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