



2009 3rd Quarter Report

Farm Credit of the Heartland, ACA

FARM CREDIT OF THE HEARTLAND, ACA

2009 Third Quarter Report to Shareholders

The shareholders' investment in Farm Credit of the Heartland, ACA is materially affected by the financial condition and results of operations of U.S. AgBank, FCB, (AgBank). The 2008 AgBank Annual Report to Shareholders, the 2008 AgBank District Annual Report to Shareholders, the AgBank quarterly shareholders' reports and the AgBank District quarterly shareholders' reports are available on AgBank's web site, www.usagbank.com, or may be obtained at no charge by calling Farm Credit of the Heartland, ACA at (316) 721-1100 or (800) 466-1146 or visiting the office at 7940 W. Kellogg Dr., Wichita, Kansas 67209.

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

(Dollars in Thousands, Except as Noted)
(Unaudited)

The following commentary summarizes the principal aspects of the financial position and results of operations of Farm Credit of the Heartland, ACA for the nine months ended September 30, 2009, with comparisons to prior periods. You should read these comments with the accompanying financial statements and footnotes, along with other disclosures contained in this report and the 2008 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

Global and local economic conditions have impacted our customers throughout 2009. While financial market declines of late 2008 and 2009 are beginning to show signs of moderating, it will take time for substantial improvement and stability to occur. Two factors which have impact even beyond our territory are the beef and dairy industries. The continuing dairy industry program to reduce herd size, in order to boost milk prices by lowering supply, has resulted in an over abundance of beef on the market. This reduces the price of beef which impacts many of our borrowers who raise cattle by narrowing profit margins. We also have customers in the dairy industry which have been affected by the low milk prices. Further, the tightening of consumer spending due to general economic conditions has reduced demand for beef, particularly the more expensive cuts, as they look for ways to reduce their overall food costs. Given the high percentage of our customers in these industries this does impact us.

Available off-farm employment opportunities have decreased in much of our area which, when combined with an increased cost of living, may impact a number of our customers who rely on this income stream to service their debt. In addition, real estate prices in our territory which have steadily increased over the past three years have leveled off and even softened in some areas. We attribute this to general economic conditions, including lower grain and commodity prices and fewer non-farmers with the ability to purchase land for recreational purposes. Declining land prices present collateral risk to the Association.

After the substantial declines which occurred during the last few months of 2008 and early 2009, most commodity prices in our territory had stabilized by late summer, though most were at lower levels. In spite of drier winter conditions, later planting and a late season freeze most of our territory received timely and adequate moisture and had average to better yields than anticipated, especially with wheat. This increased supply further and, combined with the lower price levels, had a negative impact on those holding 2008 grains for sale in 2009 by keeping prices low. Soybeans were somewhat of an exception to declining prices, where prices increased during the first half of the year, declining only during the third quarter. Feed grass prices dropped in response to both the decline in cattle numbers and good feed grass yields. High input costs have moderated somewhat but continue to be of concern.

In March 2009, the Association's Board of Directors signed a letter of intent to merge with American AgCredit, ACA, located in Santa Rosa, California. The merger was approved by majority vote of both associations as of October 22, 2009. As a result, Farm Credit of the Heartland, ACA will be merged into American AgCredit, ACA as of the close of business on November 30, 2009 and will subsequently be headquartered in Santa Rosa, California. The local lending offices will continue to operate much as they have in the past.

LOAN PORTFOLIO

Loans outstanding at September 30, 2009 totaled \$920,021, a decrease of \$34,527, or 3.62%, from loans of \$954,548 at December 31, 2008. Short- and intermediate-term production volume suffered the biggest decline, primarily due to \$6,896 in charge-offs on loans whose repayment ability and collateral values had deteriorated, loan payoffs by several large customers and the movement of loan balances of \$5,294 to other property owned. Much of this is attributable to a limited number of large customers in our portfolio, primarily in cattle and cattle-related businesses. As noted earlier, declining profit margins, over-supply of

cattle and declining demands due to economic conditions have presented challenges to this sector. There were additional charge-offs in the amount of \$1,460 in other sectors of our portfolio as well.

Credit quality declined throughout the first nine months of 2009 and impaired loan volume (loans for which it is probable that all principal and interest will not be collected according to the contractual terms) has increased substantially since December 31, 2008. Again, this is primarily the result of a small number of large loans being reclassified to nonaccrual. Most of these loans are cattle or ethanol-related businesses and have been adversely impacted by declining prices, reduced profit margins and/or diminished demand.

High risk assets include impaired loans (nonaccrual, restructured, and loans 90 days past due still accruing interest) and other property owned. Refer to the Association's 2008 Annual Report to Shareholders for additional information on these categories. Total high risk assets were \$37,165 at September 30, 2009, an increase of \$24,257, or 187.92%, from December 31, 2008. This was primarily due to an increase of \$20,484 in nonaccrual loans and \$4,590 in other property owned. These increases were slightly offset by declines of \$16 in restructured loans and \$801 in accruing loans 90 days past due. Credit quality also declined during the first nine months of the year, with acceptable and other assets especially mentioned loan volume dropping from 96.08% at December 31, 2008 to 94.04% at September 30, 2009.

RESULTS OF OPERATIONS

Net interest income for the nine months ended September 30, 2009 was \$15,955, a decrease of \$4,101, or 20.45%, from the same period ended one year ago. Interest income decreased 12.23%, primarily as a result of lower average interest rates to our customers during the first nine months of 2009 compared to the same period in 2008. Meanwhile, our interest expense declined only 5.76% over the same period due to substantially diminished returns on our own capital. Earnings on our capital are a significant component used to reduce our cost of funds from U.S. AgBank.

Net income for the nine months ended September 30, 2009 was \$37, a decrease of \$13,920, or 99.73%, from the same period ended one year ago. This is primarily due to the \$9,096 provision for loan losses in 2009, an increase of \$5,572 from the same period in 2008, combined with the decline in net interest income noted above. The increase in provision for loan losses was primarily the result of increased risk in the portfolio and charge offs on several large loan complexes.

Noninterest income decreased \$2,277 during the first nine months of 2009, compared to the same period of 2008, primarily attributable to the decrease of \$2,530 in patronage distribution from U.S. AgBank. US AgBank modified its patronage program to change its payment frequency from quarterly to annual. Payments under the program will also be less due to reduced interest margins experienced by US AgBank. As a result, our current year earnings compared to the same period in the previous year will be negatively impacted during 2009. This decrease was somewhat offset by the increase in financially related services income of \$325, the result of growth in our crop insurance sales and continued strong commodity prices which are a factor used when calculating the premium rates.

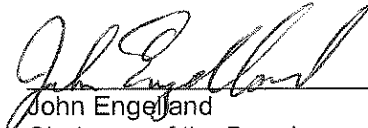
Losses on other property owned, a component of noninterest expense, increased \$704 as a result of an additional write-down of the property's value. Additionally, salary and benefit expenses were up \$879 for the nine months ending September 30, 2009 compared to the same period in 2008. The Farm Credit Insurance Fund premium increased \$224, when compared to the same period in 2008, due to a change in the method of calculation during 2008.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2009 was \$214,485, an increase from \$214,416 at December 31, 2008. This increase is due to net income of \$37 and the amortization of pension gains included in the net periodic benefit cost, offset by stock reductions.

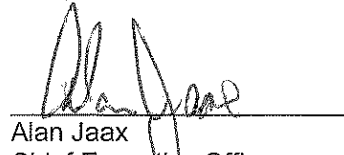
OTHER MATTERS

The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.



John Engelland
Chairman of the Board

10-29-09
Date



Alan Jaax
Chief Executive Officer

10/29/09
Date



Roger Bastow
Chief Financial Officer

10/29/09
Date

FARM CREDIT OF THE HEARTLAND, ACA
CONSOLIDATED STATEMENT OF CONDITION
(Dollars in Thousands)

	September 30	December 31
	2009	2008
	UNAUDITED	AUDITED
ASSETS		
Loans	\$ 929,047	\$ 962,818
Less allowance for loan losses	9,026	8,270
Net loans	920,021	954,548
Cash	1,131	9,131
Accrued interest receivable	17,796	16,979
Investment in U.S. AgBank, FCB	20,184	20,172
Premises and equipment, net	2,677	2,744
Other property owned	4,590	-
Prepaid benefit expense	1,221	1,328
Deferred tax asset	64	64
Other assets	4,113	3,970
Total assets	\$ 971,797	\$ 1,008,936
LIABILITIES		
Note payable to U.S. AgBank, FCB	\$ 720,222	\$ 751,196
Note payable to CoBank, ACB	13,795	14,751
Advance conditional payments	2,330	2,228
Accrued interest payable	9,966	13,942
Cash patronage distributions payable	-	2,800
Accrued benefits liability	334	350
Other liabilities	10,665	9,253
Total liabilities	757,312	794,520
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Protected borrower stock	84	98
Capital stock	3,462	3,549
Unallocated retained earnings	211,598	211,539
Accumulated other comprehensive loss	(659)	(770)
Total shareholders' equity	214,485	214,416
Total liabilities and shareholders' equity	\$ 971,797	\$ 1,008,936

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

FARM CREDIT OF THE HEARTLAND, ACA
CONSOLIDATED STATEMENT OF INCOME
(Dollars in Thousands)

UNAUDITED	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
INTEREST INCOME				
Loans	\$ 12,837	\$ 15,238	\$ 39,941	\$ 45,509
Total interest income	12,837	15,238	39,941	45,509
INTEREST EXPENSE				
Note payable to U.S. AgBank, FCB	7,738	8,370	23,618	25,031
Note payable to CoBank, ACB	110	129	350	342
Other	6	31	18	80
Total interest expense	7,854	8,530	23,986	25,453
Net interest income	4,983	6,708	15,955	20,056
Provision for loan losses	(508)	122	9,096	3,524
Net interest income after provision for loan losses	5,491	6,586	6,859	16,532
NONINTEREST INCOME				
Financially related services income	1,779	2,163	3,777	3,452
Loan fees	40	66	95	127
Patronage distribution from U.S. AgBank, FCB	-	923	380	2,910
Other noninterest income	30	31	185	225
Total noninterest income	1,849	3,183	4,437	6,714
NONINTEREST EXPENSE				
Salaries and employee benefits	1,882	1,792	6,213	5,334
Occupancy and equipment	188	169	518	509
Purchased services from AgVantis, Inc.	192	198	609	616
Losses on other property owned, net	704	-	704	-
Farm Credit Insurance Fund premium	407	347	1,246	1,022
Merger-implementation costs	34	60	51	60
Supervisory and examination costs	77	71	230	212
Other noninterest expense	575	513	1,687	1,523
Total noninterest expense	4,059	3,150	11,258	9,276
Income before income taxes	3,281	6,619	38	13,970
Provision for income taxes	-	6	1	13
Net income	\$ 3,281	\$ 6,613	\$ 37	\$ 13,957

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

FARM CREDIT OF THE HEARTLAND, ACA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in Thousands)

UNAUDITED

	Protected Borrower Stock	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2007	\$ 124	\$ 3,656	\$ 206,093	\$ (600)	\$ 209,273
Adjustment to beginning balance due to pension accounting change	-	-	(70)	-	(70)
Balance at January 1, 2008	\$ 124	\$ 3,656	\$ 206,023	\$ (600)	\$ 209,203
Comprehensive income					
Net income			13,957		13,957
Change in retirement obligation				120	120
Total comprehensive income			13,957	120	14,077
Stock issued	-	320			320
Stock retired	(24)	(374)			(398)
Patronage distributions: Cash			(563)		(563)
Balance at September 30, 2008	\$ 100	\$ 3,602	\$ 219,417	\$ (480)	\$ 222,639
Balance at December 31, 2008	\$ 98	\$ 3,549	\$ 211,539	\$ (770)	\$ 214,416
Comprehensive income:					
Net Income			37		37
Change in retirement obligation				111	111
Total comprehensive income			37	111	148
Stock issued	-	201			201
Stock retired	(14)	(288)			(302)
Patronage distributions: Cash			22		22
Balance at September 30, 2009	\$ 84	\$ 3,462	\$ 211,598	\$ (659)	\$ 214,485

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

FARM CREDIT OF THE HEARTLAND, ACA
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in Thousands)

UNAUDITED

	For the nine months ended September 30	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 37	\$ 13,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	252	277
Provision for loan losses	9,096	3,524
Carrying value adjustment on other property owned	704	-
Gains on sales of premises and equipment	(13)	(55)
Change in assets and liabilities:		
Increase in accrued interest receivable	(817)	(2,171)
Decrease in prepaid benefit expense	107	205
Increase in other assets	(143)	(372)
Decrease in accrued interest payable	(3,976)	(3,273)
(Decrease)/Increase in accrued benefits liability	(16)	99
Increase in other liabilities	1,523	(645)
Total adjustments	6,717	(2,411)
Net cash provided by operating activities	6,754	11,546
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease/(Increase) in loans, net	20,137	(85,081)
Increase in investment in U.S. AgBank, FCB	(12)	(518)
Expenditures for premises and equipment, net	(172)	(193)
Net cash provided by/(used in) investing activities	19,953	(85,792)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayment of)/draw on note payable to U.S. AgBank, FCB	(30,974)	66,285
Net (repayment of)/draw on note payable to CoBank, ACB	(956)	4,271
Increase in advance conditional payments	102	1,262
Protected borrower stock retired	(14)	(24)
Capital stock retired	(288)	(374)
Capital stock issued	201	320
Cash patronage distributions paid	(2,778)	(2,813)
Net cash (used in)/provided by financing activities	(34,707)	68,927
Net decrease in cash	(8,000)	(5,319)
Cash at beginning of year	9,131	8,256
Cash at end of period	\$ 1,131	\$ 2,937
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for:		
Interest	\$ 27,962	\$ 28,726
Income taxes	\$ 9	\$ 6
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Loans transferred to other property owned	\$ 5,294	\$ -
Net charge-offs	\$ 8,340	\$ 1,976
Change in accumulated comprehensive income	\$ 111	\$ 120

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

NOTES TO 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 the Heartland, 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, 2008, are contained in the 2008 Annual Report to Shareholders. These unaudited third quarter 2009 financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

In May 2009, the FASB issued guidance, "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. There are two types of subsequent events: the first type consists of events or transactions that provide additional evidence about conditions that existed at the balance sheet date (recognized subsequent events) and the second type consists of events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date (nonrecognized subsequent events). 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 guidance, which includes a required disclosure of the date through which an entity has evaluated subsequent events, was 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 to generally accepted accounting principles and prevailing practices within the banking industry. The results for the nine months ended September 30, 2009, are not necessarily indicative of the results to be expected for the year ended December 31, 2009.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the allowance for loan losses follows.

	September 30	
	2009	2008
Balance at beginning of year	\$ 8,270	\$ 4,174
Provision for loan losses	9,096	3,524
Charge-offs:		
Real estate mortgage loans	551	-
Production and intermediate-term	6,896	1,981
Processing and marketing	909	-
Total charge-offs	8,356	1,981
Recoveries:		
Production and intermediate-term	16	5
Total recoveries	16	5
Net charge-offs	8,340	1,976
Balance at end of period	\$ 9,026	\$ 5,722

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following presents information relating to impaired loans including accrued interest.

	September 30	
	2009	2008
Impaired loans with related allowance	\$16,608	\$ 1,728
Impaired loans with no related allowance	16,192	6,179
Total impaired loans	\$32,800	\$ 7,907
Allowance on impaired loans	\$ 3,781	\$ 435

The following table summarizes impaired loan information.

	For the nine months ended September 30	
	2009	2008
Average impaired loans	\$29,249	\$ 7,247
Interest income recognized on impaired loans	\$ 376	\$ 707

NOTE 3 - FAIR VALUE MEASUREMENTS

Authoritative guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2 to the 2008 Annual Report to Shareholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefits trusts	\$ 2,291	\$ -	\$ -	\$ 2,291
Total assets	\$ 2,291	\$ -	\$ -	\$ 2,291

Assets and liabilities measured at fair value on a non-recurring basis at September 30, 2009 for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair Value	Total Gains/(Losses)
	Level 1	Level 2	Level 3		
Assets:					
Impaired loans	\$ -	\$ -	\$ 12,600	\$12,600	(\$12,137)
Other property owned	\$ -	\$ -	\$ 4,747	\$4,747	(\$ 704)

Valuation Techniques

As more fully discussed in Note 2 to the 2008 Annual Report to Shareholders, authoritative 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 presents a brief summary of the valuation techniques used for the Association's assets and liabilities.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans

For certain loans evaluated for impairment under FASB guidance, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. 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 result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral value. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 4 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through October 23, 2009, which is the date the financial statements were available to be issued.