Puerto Rico Farm Credit, ACA

FIRST QUARTER 2009

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2009 quarterly report of Puerto Rico Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Juan A. Santiago
Chairman of the Board

William A. Garrahan
Chief Executive Officer

Antonio Marichal
Member of Board of Directors
Chairman of the Audit Committee

Bruce M. Hoffman
Chief Financial Officer

April 23, 2009

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

(dollars in thousands)

The following commentary reviews the consolidated financial condition and results of operations of Puerto Rico Farm Credit, ACA (Association) for the three months ended March 31, 2009. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements, and the 2008 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 business for financing short and intermediate-term loans and long-term real estate mortgage loans. The Association also maintains a portfolio of purchased loans, originated by other Farm Credit System entities and non-system entities. The Association's predominant chartered territory agricultural commodities were dairy, livestock, field crops and fruits which totaled approximately $117.3 million or 45.8 percent of all outstanding loan volume at March 31, 2009.

The loan volume of the Association at March 31, 2009 was $255,543, a decrease of $5,362 or 2.1 percent as compared to $260,905 at December 31, 2008. Loans originated within the Association's chartered territory were lower by approximately $4,590, while participation loans purchased decreased by approximately $772.

Net loans outstanding at March 31, 2009 totaled $254,111 as compared to $259,651 at December 31, 2008. Net loans at March 31, 2009 made up 93.1 percent of total assets as compared to 92.8 percent at December 31, 2008. The change in the ratio was primarily related to the reduction in the receivable due from AgFirst Farm Credit Bank (the Bank) which was paid in January 2009.

As a percentage of loans, nonaccrual loans equaled 7.32 percent at March 31, 2009, compared with 4.84 percent at December 31, 2008. The increase in nonaccrual loan volume during the first three months of 2009 resulted primarily from the transfer of one large credit into nonaccrual status. Borrowers have found it increasingly difficult to maintain a current repayment status, given the island's three years of recessionary economic status. However, the overall delinquency rate for the accruing loan portfolio has remained favorable, supported by the lower interest rate environment. Management expects to see a leveling off of the deterioration in credit quality in the coming months.

The allowance for loan losses increased to $1,432 at March 31, 2009, from $1,254 at December 31, 2008. The first quarter increase related primarily to the net change in the specific reserves established for purchased participation loans in nonaccrual status. The ratio of allowance to outstanding loan volume increased to .56 percent at March 31, 2009 from .48 percent at December 31, 2008 as a result of the higher level of nonaccrual loan volume. During the first quarter of 2009, charge-offs totaled $406 and there were no recoveries. Management anticipates additional charge-off activity during the balance of 2009, which exceeds historical trends.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2009 totaled $6, a decrease of $950 or 99.4 percent as compared to $956 for the first three months of 2008. The decrease primarily resulted from the first quarter provision expense to increase the allowance for loan loss totaling $584 and a decrease in net interest income, mostly as a result of the lower interest rate environment.

During the first three months of 2009, interest income, primarily from accruing loans, decreased by $1,648 or 40.9 percent. Additionally, interest expense related to the loan portfolio decreased by $1,198 or 47.9 percent. Thus, net interest income from lending activities decreased by $450 or 29.5 percent. The decrease in net interest income was due primarily to the significant decline in market interest rates, which negatively impacted by $397 the interest credit earned on loanable funds invested with the Bank. However, the Association's investment in notes receivable/sub-debt from two AgFirst District associations resulted in an increase in net interest income for the quarter totaling $65. Combined, the decrease in net interest income for the first three months of 2009 totaled $385.

For the first quarter of 2009 the Association recorded a provision for loan losses expense which totaled $584. This compared to no provision expense for the first quarter of 2008.

Noninterest income for the three months ended March 31, 2009 was $698 or 34.8 percent higher than the $518 recognized during the first three months of 2008. The increase was primarily attributable to gains from the acquisition of collateral property through foreclosure. Additionally, the Association realized increased loan fee income and accrued patronage earnings from the Bank. Also. higher rebate fees were earned from various Puerto Rico investment funds.

Noninterest expense for the three months ended March 31, 2009 increased by $161 or 14.8 percent compared to the same three month period of 2008. The increase was primarily related to salaries and employee benefits, for which revised actuarial analyses materially increased the 2009 pension expense under SFAS 87 by $219, partially offset by a decrease in salaries of $83. Additionally, a decrease of $29 in other operating expenses was recognized.

Although the Association is subject to federal income tax, the Association does not expect to incur a federal tax liability as a tax credit for paying patronage dividends to the Association eligible borrowers is available. As it is the Association's intention to pay out 100 percent of taxable income as patronage dividends, no provision for income taxes has been made.

Key Results of Operations Ratios

	Annualized for the nine months ended 3/31/09	For the year ended 12/31/08
Return on Average Assets	0.01%	1.00%
Return on Average Members' Equity	0.05%	4.67%
Net Interest Income as a Percentage of Average Earning Assets	1.91%	2.18%

LIQUIDITY AND FUNDING SOURCES

Liquidity

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. Sufficient liquid funds have been available to meet all financial obligations.

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 notes are utilized by the Association to fund variable rate loan advances and operating funds requirements. The total notes payable to the Bank at March 31, 2009 were $212,835 as compared with $219,092 at December 31, 2008. The decrease of $6,257 or 2.9 percent corresponded closely to the decrease in outstanding loan volume of $5,362 and the net decrease in the receivable due from AgFirst Farm Credit Bank.

The Association had no lines of credit outstanding with third parties as of March 31, 2009.

Funds Management

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers variable and fixed rate loan products which are competitively priced according to local market rates. Variable rate loans may be indexed to either the Prime rate or the London Interbank Offered Rate (LIBOR). The majority of the interest rate risk in the Association balance sheet is transferred to the Bank through the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify and control interest rate risk associated with the loan portfolio.

CAPITAL RESOURCES

Total members' equity at March 31, 2009 increased 0.2 percent to $56,356 from December 31, 2008 when total members' equity was $56,269. The increase of $87 was primarily attributable to the annual adjustment made to unallocated retained earnings to reconcile the year end 2008 estimated patronage dividend payable to the Association's 2008 federal taxable income.

Total capital stock and participation certificates were $761 on March 31, 2009 compared to $779 on December 31, 2008. The decrease of $18 was the net result of refunding more stock to non-borrowing stockholders than new stockholders purchasing capital stock or participation certificates.

Unallocated retained earnings increased $112 or 0.2 percent from December 31, 2008 when unallocated retained earnings totaled $54,577. The increase was from net income of $6 earned during the first three months of 2008 and a patronage dividend adjustment of $106 to reconcile the year-end estimated dividend payable to the Association's 2008 federal taxable income.

The Board of directors intends to continue its policy of declaring cash patronage dividends. 2008 was the sixteenth consecutive year of paying dividends. The table below sets forth the recent amount of patronage dividends declared:

Year	Amount Declared
2008	$2,000
2007	$3,250
2006	3,200

The amount of dividends, as always, will depend upon continued strong earnings, the amount of taxable income, the overall financial condition of the Association and credit-related factors.

The Association's regulatory permanent capital ratio at March 31, 2009 was 16.94 percent compared to 16.96 percent at December 31, 2008. The Association's total surplus and core surplus ratios were both 16.63 percent at March 31, 2009. 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.

Key financial condition ratios were as follows:

	3/31/09	12/31/08
Total Members' Equity to Asset	20.63%	20.11%
Debt to Total Members' Equity	3.84:1	3.97:1

Recently Issued Accounting Pronouncements

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2008 Annual Report to Shareholders for recently issued accounting pronouncements.

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. 378, or writing Stephen Gilbert, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at its website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-981-3323, or writing Bruce M. Hoffman, CFO, Puerto Rico Farm Credit, ACA, PO Box 363649, San Juan, PR 00936-3649, or accessing the website, *www.puertoricofarmcredit.com*. The Association prepares a quarterly report within 40 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 Association.

Puerto Rico Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2009	March 31, 2008	December 31, 2008
	(unaudited)		*(audited)*
Assets			
Cash	$ 143	$ 496	$ 290
Loans	255,543	256,295	260,905
Less: allowance for loan losses	1,432	330	1,254
Net loans	254,111	255,965	259,651
Notes receivable from other Farm Credit institutions (Note 5)	10,000	—	10,000
Accrued interest receivable	1,086	1,623	1,244
Investment in other Farm Credit institutions	3,517	3,399	3,517
Premises and equipment, net	1,228	1,092	1,241
Other property owned	432	—	—
Due from AgFirst Farm Credit Bank	418	417	1,605
Other assets	2,157	1,905	2,286
Total assets	$ 273,092	$ 264,897	$ 279,834
Liabilities			
Notes payable to AgFirst Farm Credit Bank	$ 212,835	$ 202,795	$ 219,092
Accrued interest payable	468	744	551
Patronage refund payable	45	1	2,000
Other liabilities	3,388	4,821	1,922
Total liabilities	216,736	208,361	223,565
Commitments and contingencies (Note 3)			
Members' Equity			
Capital stock and participation certificates	761	814	779
Unallocated retained earnings	54,689	54,866	54,577
Accumulated other comprehensive income (loss)	906	856	913
Total members' equity	56,356	56,536	56,269
Total liabilities and members' equity	$ 273,092	$ 264,897	$ 279,834

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

Puerto Rico Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2009	2008
Interest Income		
Loans	$ 2,380	$ 4,028
Notes receivable from other Farm Credit institutions (Note 5)	225	—
Total interest income	2,605	4,028
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	1,461	2,499
Net interest income	1,144	1,529
Provision for (reversal of allowance for) loan losses	584	—
Net interest income after provision for (reversal of allowance for) loan losses	560	1,529
Noninterest Income		
Loan fees	122	77
Patronage rebate fees	54	37
Equity in earnings of other Farm Credit institutions	418	384
Gains (losses) on other property owned, net	82	(1)
Other noninterest income	22	21
Total noninterest income	698	518
Noninterest Expense		
Salaries and employee benefits	862	685
Occupancy and equipment	71	72
Insurance Fund premium	100	86
Other operating expenses	219	248
Total noninterest expense	1,252	1,091
Income before income taxes	6	956
Provision (benefit) for income taxes	—	—
Net income	$ 6	$ 956

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

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Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2007	$ 819	$ 53,880	$ 862	$ 55,561
Comprehensive income				
Net income		956		956
Employee benefit plans adjustments		(17)	(6)	(23)
Total comprehensive income				933
Capital stock/participation certificates issued/(retired), net	(5)			(5)
Patronage distribution adjustment		47		47
Balance at March 31, 2008	$ 814	$ 54,866	$ 856	$ 56,536
Balance at December 31, 2008	$ 779	$ 54,577	$ 913	$ 56,269
Comprehensive income				
Net income		6		6
Employee benefit plans adjustments			(7)	(7)
Total comprehensive loss				(1)
Capital stock/participation certificates issued/(retired), net	(18)			(18)
Patronage distribution adjustment		106		106
Balance at March 31, 2009	$ 761	$ 54,689	$ 906	$ 56,356

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