

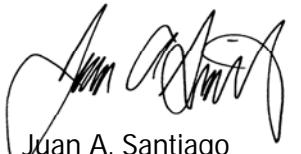
FIRST QUARTER 2009

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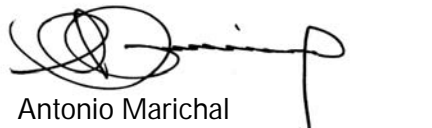
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CERTIFICATION

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 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 large 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, exceeding 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 loans decreased by \$1,198 or 47.9 percent. Thus, net interest income from lending activities decreased by \$450 or 29.5 percent. 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.

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.

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 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 received 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 decrease was primarily related to salaries and employee benefits, for which

revised actuarial analyses materially increased the 2009 pension expense under SFAS 87. This was partially offset by a decrease of \$29 in other operating expenses.

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 90-day 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 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 2009 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

<i>(dollars in thousands)</i>	March 31,		December 31,
	2009	2008	2008
	<i>(unaudited)</i>		<i>(audited)</i>
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

Notes to the Consolidated Financial Statements

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

NOTE 1 – ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The accompanying financial statements include the accounts of Puerto Rico Farm Credit, ACA (the Association). 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 of the Association. These unaudited first quarter 2009 consolidated financial statements should be read in conjunction with the 2008 Annual Report of the Association.

The accompanying consolidated financial statements contain all necessary adjustments for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP) and prevailing practices within the banking industry. The results for the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the year ending December 31, 2009.

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

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2009, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In addition to the recently issued accounting pronouncements discussed in the 2008 Annual Report to Shareholders, effective January 1, 2009, the Association adopted Financial Accounting Standards Board (FASB) Statement of Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The impact of adoption requires additional fair value disclosures, if applicable, but does not have an impact on the Association's financial condition or results of operations.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
	2009	2008
Balance at beginning of period	\$ 1,254	\$ 330
Provision for (reversal of) loan losses	584	–
Charge-offs	(406)	–
Recoveries	–	–
Balance at end of period	\$ 1,432	\$ 330

The following table presents information concerning impaired loans as of March 31,

	2009	2008
Impaired loans with related allowance	\$ 3,551	\$ –
Impaired loans with no related allowance	15,454	5,006
Total impaired loans	\$ 19,005	\$ 5,006
Allowance on impaired loans	\$ 1,096	\$ –

The following table summarizes impaired loan information for the three months ended March 31,

	2009	2008
Average impaired loans	\$ 15,241	\$ 4,919
Interest income recognized on impaired loans	30	26

NOTE 3 – COMMITMENTS AND CONTINGENT LIABILITIES

Actions are pending against the Association in which money damages are sought. However, on the basis of information now at hand, management and legal counsel are of the opinion that the ultimate liability, if any, resulting therefrom, would not be material in relation to the overall financial position of the Association.

NOTE 4 – EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the three months ended March 31,	
	2009	2008
Pension	\$ 259	\$ 40
401(k)/1165(e)	17	17
Other postretirement benefits	15	17
Total	<u>\$ 291</u>	<u>\$ 74</u>

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 3/31/09	Projected Contributions For Remainder of 2009	Projected Total Contributions 2009
Pension	\$ -	\$ -	\$ -
Other postretirement benefits	20	46	66
Total	<u>\$ 20</u>	<u>\$ 46</u>	<u>\$ 66</u>

Actuarial calculations as of the last plan measurement date (December 31, 2008) projected no contributions to the pension plan for 2009. However, market conditions could impact discount rates and return on plan assets which could make additional contributions necessary before the next plan measurement date of December 31, 2009.

Further details regarding employee benefit plans are contained in the 2008 Annual Report to Shareholders.

NOTE 5 – NOTES RECEIVABLE FROM OTHER FARM CREDIT INSTITUTIONS

In September 2008, the Association used capital reserves to purchase \$10,000 total of fixed rate unsecured subordinated notes issued by two other associations in the Farm Credit System (System) due in 2018. The notes are subordinate to all other categories of creditors of the issuing associations, including any claims of the Bank and general creditors, but are senior to all classes of shareholders of the issuing associations. The notes receivable are not considered System debt, and thus are not guaranteed by the System and not insured by the Farm Credit System Insurance Corporation. Since the notes receivable are only guaranteed by the issuing associations, repayment could be negatively impacted by funding, credit, interest rate, and/or counterparty risks encountered by the two issuing associations in their business operations.

The notes receivable bear interest at an annual fixed rate of 9 percent, payable on the fifteenth day of each month, beginning on October 15, 2008. Interest will be deferred if, as of the fifth business day prior to an interest payment date, any

applicable minimum regulatory capital ratios are not satisfied by the issuing association(s). A deferral period may not last for more than five consecutive years or beyond the maturity date of the note(s). During such a period, the issuing association(s) may not declare or pay any dividends or patronage refunds, among other certain restrictions, until interest payments are resumed and all deferred interest has been paid. The note(s) may be redeemed, at the issuing association's(s') option, on October 15, 2013, or upon the occurrence of certain defined regulatory events, at a redemption price of 100 percent of the principal amount, plus any accrued but unpaid interest to the date of redemption, provided the issuing association(s) have made payment in full of all amount then due in respect of their senior indebtedness.

NOTE 6 – FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Association adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities primarily consist of standby letters of credit, impaired loans and other property owned.

SFAS No. 157 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.

SFAS No. 157 establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs and the classification of the Association's financial instruments within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Association has no Level 1 assets or liabilities at March 31, 2009.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets and liabilities measured at fair value on a recurring basis at March 31, 2009.

Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could be instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing. Level 3 assets at March 31, 2009 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying collateral since these 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 result, 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. Other property owned is classified as a level 3 asset at March 31, 2009. The fair value for other property owned is based upon the collateral less estimated costs to sell. Level 3 liabilities at March 31, 2009 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009 for each of the fair value hierarchy levels:

March 31, 2009					
	Level 1	Level 2	Level 3	Total Fair Value	
Liabilities:					
Standby letters of credit	\$ -	\$ -	\$ 40	\$ 40	
Total Liabilities	\$ -	\$ -	\$ 40	\$ 40	

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis:

	Standby Letters Of Credit
Balance at January 1, 2009	\$ 45
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive loss	-
Purchases, sales, issuances and settlements, net	(5)
Transfers in and/or out of level 3	-
Balance at March 31, 2009	\$ 40

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy values are summarized below:

	March 31, 2009				
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	\$ -	\$ -	\$ 2,455	\$ 2,455	\$ (560)
Other property owned	\$ -	\$ -	\$ 432	\$ 432	\$ 82