AG NEW MEXICO, FARM CREDIT SERVICES, ACA

2013
Quarterly Report
First Quarter

For the Quarter Ended March 31, 2013

REPORT OF MANAGEMENT

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

Frank Shelton, Chief Executive Officer

May 3, 2013

Ronnie Harral, Chairman, Board of Directors

May 3, 2013

Lucille Conley, Vice President, Accounting Manager

May 3, 2013

AG NEW MEXICO, FARM CREDIT SERVICES, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the association, for the quarter ended March 31, 2013. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2012 Annual Report to Stockholders.

The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the association's audit committee.

Significant Events:

For the three months ending March 30, 2013 the association continued efforts towards strengthening its financial position and managing the credit risk within the loan portfolio. Net income increased from a net loss of $54,914 to net income of $986,737 for the three months ending March 2012 and 2013, respectively. The increase in net income is primarily attributed to a recovery of loan principal previously charged off and decreases in provision for loan loss. Earnings in the first quarter helped strengthen the association's capital position to 14.5 percent as compared to 12.2 percent in December 2012.

Farmers and ranchers in New Mexico, which is the primary area served by the association, are experiencing extreme drought conditions. Risk management techniques such as the purchase of crop insurance in conjunction with the higher price of commodities have helped to offset the impact of reduced yields. The higher price of corn and other grains have increased input cost of livestock producers. The association strives to timely identify risks in the loan portfolio and to take prompt action to address those risks. The association had three separate examinations conducted in 2012 which concluded that the association is adequately assigning the correct risk rating to loans in the association's portfolio. Those reviews included an examination by the association's regulator, a review by the Farm Credit Bank of Texas (bank) and an internal credit review.

Loan volume decreased 4.3 percent, or $7.2 million, as compared to December 31, 2012. The association's 2013 Strategic Business Plan calls for more aggressive efforts towards increasing the association's loan portfolio with loans to creditworthy borrowers. Collection efforts on high risk assets, weak economic conditions, and debt reduction from borrowers continue to hamper growth opportunities. The focus towards strong, high quality growth will improve the association's future earnings.

The association acquired property as a result of a loan settlement agreement. During the second quarter of 2012, a contracted appraisal of the property established an appraised value of $820,000. The net realizable value of the property was determined to be $675,600 after netting estimated selling expense against the appraised value. The carrying value of the property was $3,106,950 based upon previous appraisals. The appraisal resulted in setting up a provision for loss on other property owned and allowance for loss on other property owned of $2,431,350 in the second quarter of 2012. The results of this transaction triggered a violation of the net earnings covenant of the General Financing Agreement (GFA) between the association and the bank. The bank extended a limited waiver of the covenant default through September 30, 2013, subject to the association taking certain actions to correct the deficiency. The association will comply with the terms of the waiver.

Loan Portfolio:

Total loans outstanding at March 31, 2013, including nonaccrual loans and sales contracts, were $160,202,100 compared to $167,427,649 at December 31, 2012, reflecting a decrease of 4.3 percent. Nonaccrual loans as a percentage of total loans outstanding were 1.8 percent at March 31, 2013, compared to 1.8 percent at December 31, 2012.

The association recorded $477,567 in recoveries and $0 in charge-offs for the quarter ended March 31, 2013, and $684 in recoveries and $1,008,158 in charge-offs for the same period in 2012. The association's allowance for loan losses was 0.5 percent and 0.5 percent of total loans outstanding as of March 31, 2013, and December 31, 2012, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the association's components and trends of high-risk assets.

	March 31, 2013			December 31, 2012		
	Amount		%	Amount		%
Nonaccrual	$	2,896,197	74.4%	$	2,997,112	75.0%
90 days past due and still accruing interest		-	0.0%		592	0.0%
Formally restructured		-	0.0%		-	0.0%
Other property owned, net		998,294	25.6%		998,798	25.0%
Total	$	3,894,491	100.0%	$	3,996,502	100.0%

Investments:

During the first quarter of 2010, the association exchanged $26.4 million of mortgage loans that previously were covered under a long-term standby commitment to purchase agreement with Federal Agricultural Mortgage Corporation (Farmer Mac) for a Farmer Mac guaranteed agricultural mortgage-backed security (AMBS). No gain or loss was recognized in the financial statements upon completion of the exchange transaction. The association continues to service the loans included in this transaction. This investment in the guaranteed security is categorized as a held-to-maturity investment and is included in this report's Consolidated Balance Sheet as Investments. The Farmer Mac guaranteed AMBS was $10.8 million at March 31, 2013.

Results of Operations:

The association had net income of $986,737 for the three months ended March 31, 2013, as compared to a net loss of $54,914 for the same period in 2012. Net interest income was $1,126,326 for the three months ended March 31, 2013, compared to $1,150,096 for the same period in 2012. Interest income for the three months ended March 31, 2013, decreased by $77,871, or 4.4 percent, from the same period of 2012, primarily due to declines in yields on earning assets offset by an increase in average loan volume. Interest expense for the three months ended March 31, 2013, decreased by $54,101, or 8.9 percent from the same period of 2012 due to a decrease in interest rates offset by an increase in average debt volume. Average loan volume for the first quarter of 2013 was $161,493,096, compared to $146,403,234 in the first quarter of 2012. The average net interest rate spread on the loan portfolio for the first quarter of 2013 was 2.48 percent, compared to 2.62 percent in the first quarter of 2012.

The association's return on average assets for the three months ended March 31, 2013, was 2.17 percent compared to -0.12 percent for the same period in 2012. The association's return on average equity for the three months ended March 31, 2013, was 13.47 percent, compared to -0.76 percent for the same period in 2012.

The association's negative provision for loan losses for the three months ended March 31, 2013, totaled $-490,798, a decrease of $1,059,266, or 186.3 percent, less than the $568,468 provision for the first three months of 2012.

Liquidity and Funding Sources:

The association secures the majority of its lendable funds from the bank, which obtains its funds through the issuance of Systemwide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	March 31, 2013		December 31, 2012	
Note payable to the bank	$	150,572,773	$	163,335,885
Accrued interest on note payable		187,635		204,717
Total	$	150,760,408	$	163,540,602

The association has a contractual relationship with the bank from which the association borrows to fund its loan portfolio. The indebtedness is governed by a general financing agreement (GFA) which contains certain covenants. As of March 31, 2013, the association was in violation of an earnings covenant included in the GFA. The bank has issued a limited waiver of the covenant defaults through September 31, 2013, subject to the association taking certain actions to correct the deficiencies. The association anticipates regaining full compliance during 2013.

Capital Resources:

The association's capital position increased by $989,830 at March 31, 2013, compared to December 31, 2012. The association's debt as a percentage of members' equity was 5.09:1 as of March 31, 2013, compared to 5.70:1 as of December 31, 2012.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The association's permanent capital ratio at March 31, 2013, was 14.5 percent, which is in compliance with the FCA's minimum permanent capital standard. The association's core surplus ratio and total surplus ratio at March 31, 2013, were 14.3 and 14.3 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

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 offset 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 financial condition or results of operations, but will result in additional disclosures.

In February 2013, the FASB issued guidance, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012 and for non-public entities for annual periods beginning after December 15, 2013. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures.

Relationship With the Farm Credit Bank of Texas:

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the December 31, 2012 Annual Report of Ag New Mexico, Farm Credit Services, ACA more fully describe the association's relationship with the bank.

The Texas Farm Credit District's (district) annual and quarterly stockholder reports, as well as those of the bank, are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. Copies of the district's quarterly and annual stockholder reports also can be requested by e-mail at *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports for the bank and the district are also available on its website at *www.farmcreditbank.com.*

The association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Ag New Mexico, Farm Credit Services, ACA, P. O. Box 1328, 233 Fairway Terrace North, Clovis, New Mexico 88102-1328 or calling (575) 762-3828. Copies of the association's quarterly stockholder reports can also be requested by e-mailing *lucille.conley@farmcreditbank.com*. The association makes its annual and quarterly stockholder reports available on its website at *www.agnewmexico.com.*

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2013 (unaudited)		December 31, 2012	
ASSETS				
Cash	**$**	**109,871**	$	207,043
Investments		**10,788,709**		11,155,650
Loans		**160,202,100**		167,427,649
Less: allowance for loan losses		**857,144**		870,375
Net loans		**159,344,956**		166,557,274
Accrued interest receivable		**1,404,461**		1,717,138
Investment in and receivable from the Farm Credit Bank of Texas:				
Capital stock		**4,631,040**		4,631,040
Other		**588,235**		513,770
Deferred taxes, net		**979,143**		1,088,210
Other property owned, net		**998,294**		998,798
Premises and equipment		**3,170,406**		3,191,551
Other assets		**383,468**		4,066,080
Total assets	**$**	**182,398,583**	$	194,126,554
LIABILITIES				
Note payable to the Farm Credit Bank of Texas	**$**	**150,572,776**	$	163,335,885
Advance conditional payments		**304,020**		216,381
Accrued interest payable		**187,613**		204,717
Drafts outstanding		**16,410**		39,539
Other liabilities		**1,371,433**		1,373,531
Total liabilities		**152,452,252**		165,170,053
MEMBERS' EQUITY				
Capital stock and participation certificates		**305,845**		311,950
Unallocated retained earnings		**30,000,474**		29,013,737
Accumulated other comprehensive income (loss)		**(359,988)**		(369,186)
Total members' equity		**29,946,331**		28,956,501
Total liabilities and members' equity	**$**	**182,398,583**	$	194,126,554

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter and Year Ended March 31,	
	2013	2012
INTEREST INCOME		
Loans	**$ 1,562,197**	$ 1,543,652
Investments	**119,530**	215,946
Total interest income	**1,681,727**	1,759,598
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**555,401**	609,502
Total interest expense	**555,401**	609,502
Net interest income	**1,126,326**	1,150,096
(REVERSAL OF) PROVISION FOR LOAN LOSSES	**(490,798)**	568,468
Net interest income after provision for loan losses	**1,617,124**	581,628
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**221,526**	264,331
Loan fees	**20,691**	20,157
Financially related services income	**4,290**	13,281
Gain on other property owned, net	**82,216**	-
Gain on sale of premises and equipment, net	**50,500**	10,400
Other noninterest income	**20,757**	9,000
Total noninterest income	**399,980**	**317,169**
NONINTEREST EXPENSES		
Salaries and employee benefits	**492,269**	566,504
Directors' expense	**64,017**	77,659
Purchased services	**55,760**	27,878
Travel	**37,191**	37,255
Occupancy and equipment	**64,870**	53,954
Communications	**6,443**	6,479
Advertising	**17,786**	9,431
Public and member relations	**15,759**	14,456
Supervisory and exam expense	**30,694**	26,759
Insurance Fund premiums	**42,730**	19,576
Other noninterest expense	**77,834**	112,620
Total noninterest expenses	**905,353**	952,571
Income (loss) before income taxes	**1,111,751**	(53,774)
Provision for income taxes	**125,014**	1,140
NET INCOME (LOSS)	**986,737**	(54,914)
Other comprehensive income:		
Change in postretirement benefit plans	**9,198**	(3,678)
Other comprehensive income (loss), net of tax	**9,198**	(3,678)
COMPREHENSIVE INCOME (LOSS)	**$ 995,935**	$ (58,592)

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2011	$ 327,750	$ -	$ -	$ 28,743,367	$ (219,746)	$ 28,851,371
Comprehensive loss	-	-	-	(54,914)	(3,678)	(58,592)
Capital stock/participation certificates and allocated retained earnings issued	14,395	-	-	-	-	14,395
Capital stock/participation certificates and allocated retained earnings retired	(16,985)	-	-	-	-	(16,985)
Balance at March 31, 2012	$ 325,160	$ -	$ -	$ 28,688,453	$ (223,424)	$ 28,790,189
Balance at December 31, 2012	$ 311,950	$ -	$ -	$ 29,013,737	$ (369,186)	$ 28,956,501
Comprehensive income	-	-	-	986,737	9,198	995,935
Capital stock/participation certificates and allocated retained earnings issued	2,460	-	-	-	-	2,460
Capital stock/participation certificates and allocated retained earnings retired	(8,565)	-	-	-	-	(8,565)
Balance at March 31, 2013	**$ 305,845**	**$ -**	**$ -**	**$ 30,000,474**	**$ (359,988)**	**$ 29,946,331**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The association serves all counties of New Mexico, with the exception of San Juan County and that portion of Rio Arriba County lying west of the Continental Divide. In addition, the association and Farm Credit Services of New Mexico, ACA have entered into an agreement that allows the association to make mortgage loans in New Mexico, on a statewide basis, without obtaining territorial approval. The association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The significant accounting policies followed and the financial condition and results of operations of the association as of and for the year ended December 31, 2012, are contained in the 2012 Annual Report to Stockholders. These unaudited first quarter 2013 financial statements should be read in conjunction with the 2012 Annual Report to Stockholders.

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 offset 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 financial condition or results of operations, but will result in additional disclosures.

In February 2013, the FASB issued guidance, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012 and for non-public entities for annual periods beginning after December 15, 2013. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles, except for the inclusion of a statement of cash flows. Generally accepted accounting principles require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the association has elected not to include a statement of cash flows in these consolidated financial statements.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended March 31, 2013, are not necessarily indicative of the results to be expected for the year ended December 31, 2013. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — INVESTMENTS:

Effective March, 2010, $26.4 million of agricultural mortgage loans previously covered under a long-term standby commitment to purchase agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac) were securitized. No gain or loss was recognized in the financial statements upon completion of the securitization. Terms of the agreement call for a guarantee fee of 20-50 basis points to be paid to Farmer Mac.

The following is a summary of Farmer Mac agricultural mortgage-backed securities:

	March 31, 2013				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Agricultural mortgage-backed securities	**$ 10,788,709**	**$ -**	**$ 40,029**	**$ 10,748,680**	**4.32 %**

	December 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 11,155,650	$ -	$ 45,294	$ 11,110,356	4.31 %

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of Farmer Mac investments held-to-maturity at March 31, 2013:

	Due in 1 Year or Less Amount	Due After 1 Year Through 5 Years Amount	Due After 5 Years Through 10 Years Amount	Due After 10 Years Amount	Total Amount
Agricultural mortgage-backed securities	$ -	$ 10,748,680	$ -	$ -	$ 10,748,680
Total fair value	-	10,748,680	-	-	10,748,680
Total amortized cost	$ -	$ 10,788,709	$ -	$ -	$ 10,788,709
Weighted Average Yield	- %	4.32 %	- %	- %	-

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**March 31, 2013 Amount**	December 31, 2012 Amount
Production agriculture:		
Real estate mortgage	**$ 61,377,408**	$ 59,503,685
Production and intermediate term	**45,814,733**	54,844,736
Agribusiness:		
Loans to cooperatives	**1,922,425**	1,393,217
Processing and marketing	**26,672,010**	26,818,501
Farm-related business	**4,304,402**	4,792,635
Communication	**3,179,171**	3,308,119
Energy	**13,964,289**	13,699,831
Water and waste water	**1,880,651**	1,853,165
Rural residential real estate	**1,087,011**	1,213,760
Total	**$ 160,202,100**	$ 167,427,649

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2013:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 4,566,787	$ 22,532,166	$ -	$ -	$ 4,566,787	$ 22,532,166
Production and intermediate term	7,390,228	20,682,740	-	-	7,390,228	20,682,740
Agribusiness	25,515,217	3,372,327	-	-	25,515,217	3,372,327
Communication	3,179,171	-	-	-	3,179,171	-
Energy	13,964,289	-	-	-	13,964,289	-
Water and waste water	1,880,651	-	-	-	1,880,651	-
Total	$ 56,496,343	$ 46,587,233	$ -	$ -	$ 56,496,343	$ 46,587,233

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

	March 31, 2013	December 31, 2012
Nonaccrual loans:		
Real estate mortgage	**$ 2,896,197**	$ 2,997,112
Total nonaccrual loans	**2,896,197**	2,997,112
Accruing loans 90 days or more past due:		
Real estate mortgage	**-**	592
Total accruing loans 90 days or more	**-**	592
Total nonperforming loans	**2,896,197**	2,997,704
Other property owned	**998,294**	998,798
Total nonperforming assets	**$ 3,894,491**	$ 3,996,502

One credit quality indicator utilized by the association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2013	December 31, 2012
Real estate mortgage		
Acceptable	**82.0** %	84.9 %
OAEM	**6.7**	4.2
Substandard/doubtful	**11.3**	10.9
	100.0	100.0
Production and intermediate term		
Acceptable	**86.5**	89.0
OAEM	**9.0**	7.8
Substandard/doubtful	**4.5**	3.2
	100.0	100.0
Agribusiness		
Acceptable	**98.0**	98.1
OAEM	**2.0**	1.9
Substandard/doubtful	**-**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**88.8**	90.6
OAEM	**5.6**	4.4
Substandard/doubtful	**5.6**	5.0
	100.0 %	100.0 %

The following tables provide an age analysis of past due loans (including accrued interest) as of:

March 31, 2013	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 1,483,504**	**$ 735,192**	**$ 2,218,696**	**$ 59,891,643**	**$ 62,110,339**	**$ -**
Production and intermediate term	**1,941,474**	**376**	**1,941,850**	**44,253,647**	**46,195,497**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,923,400**	**1,923,400**	**-**
Processing and marketing	**-**	**-**	**-**	**26,799,935**	**26,799,935**	**-**
Farm-related business	**-**	**-**	**-**	**4,332,340**	**4,332,340**	**-**
Communication	**-**	**-**	**-**	**3,180,403**	**3,180,403**	**-**
Energy	**-**	**-**	**-**	**14,040,710**	**14,040,710**	**-**
Water and waste water	**-**	**-**	**-**	**1,881,518**	**1,881,518**	**-**
Rural residential real estate	**-**	**-**	**-**	**1,090,517**	**1,090,517**	**-**
Total	**$ 3,424,978**	**$ 735,568**	**$ 4,160,546**	**$ 157,394,113**	**$ 161,554,659**	**$ -**

December 31, 2012:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 255,872	$ 680,782	$ 936,654	$ 59,443,143	$ 60,379,797	$ 592
Production and intermediate term	-	-	-	55,325,147	55,325,147	-
Loans to cooperatives	-	-	-	1,393,723	1,393,723	-
Processing and marketing	-	-	-	26,856,440	26,856,440	-
Farm-related business	-	-	-	4,844,510	4,844,510	-
Communication	-	-	-	3,308,554	3,308,554	-
Energy	-	-	-	13,793,861	13,793,861	-
Water and waste water	-	-	-	1,853,926	1,853,926	-
Rural residential real estate	-	-	-	1,216,512	1,216,512	-
Total	$ 255,872	$ 680,782	$ 936,654	$ 168,035,816	$ 168,972,470	$ 592

Note: The recorded investment in the receivable is the face amount 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.

A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

The association did not have any troubled debt restructured loans for the first quarter of 2013 or for the preceding twelve months.

Additional impaired loan information is as follows:

	March 31, 2013			At December 31, 2012		
	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	$ 2,044,882	$ 2,387,592	$ 399,655	$ 2,146,986	$ 2,489,696	$ 399,655
Total	$ 2,044,882	$ 2,387,592	$ 399,655	$ 2,146,986	$ 2,489,696	$ 399,655
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$ 851,315	$ 1,377,009	$ -	$ 850,718	$ 1,857,056	$ -
Total	$ 851,315	$ 1,377,009	$ -	$ 850,718	$ 1,857,056	$ -
Total impaired loans:						
Real estate mortgage	$ 2,896,197	$ 3,764,601	$ 399,655	$ 2,997,704	$ 4,346,752	$ -
	$ 2,896,197	$ 3,764,601	$ 399,655	$ 2,997,704	$ 4,346,752	$ -

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended			
	March 31, 2013		March 31, 2012	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	$ 2,106,732	$ -	$ 2,486,298	$ -
Production and intermediate term	-	-	5,042,419	-
Total	$ 2,106,732	$ -	$ 7,528,717	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	$ 853,519	$ -	$ 874,172	$ -
Production and intermediate term	-	-	1,033,395	-
Total	$ 853,519	$ -	$ 1,907,567	$ -
Total impaired loans:				
Real estate mortgage	$ 2,960,251	$ -	$ 3,360,470	$ -
Production and intermediate term	-	-	6,075,814	-
	$ 2,960,251	$ -	$ 9,436,284	$ -

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water/Waste	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2012	$ 535,831	$ 216,997	$ 76,781	$ 8,168	$ 31,947	$ 651	$ 870,375
Charge-offs	-	-	-	-	-	-	-
Recoveries	477,567	-	-	-	-	-	477,567
Provision for loan losses	(482,743)	(17,709)	11,021	(2,222)	876	(21)	(490,798)
Balance at March 31, 2013	$ 530,655	$ 199,288	$ 87,802	$ 5,946	$ 32,823	$ 630	$ 857,144
Ending Balance:							
Individually evaluated for impairment	$ 399,655	$ -	$ -	$ -	$ -	$ -	$ 399,655
Collectively evaluated for impairment	131,000	199,288	87,802	5,946	32,823	630	457,489
Balance at March 31, 2013	$ 530,655	$ 199,288	$ 87,802	$ 5,946	$ 32,823	$ 630	$ 857,144
Balance at December 31, 2011	$ 165,335	$ 2,106,362	$ 60,386	$ 2,504	$ 31,262	$ 612	$ 2,366,461
Charge-offs	(196,676)	(811,482)	-	-	-	-	(1,008,158)
Recoveries	-	684	-	-	-	-	684
Provision for loan losses	252,583	318,777	748	4,460	(8,077)	(23)	568,468
March 31, 2012	$ 221,242	$ 1,614,341	$ 61,134	$ 6,964	$ 23,185	$ 589	$ 1,927,455
Ending Balance:							
Individually evaluated for impairment	$ 88,302	$ 1,394,527	$ -	$ -	$ -	$ -	$ 1,482,829
Collectively evaluated for impairment	132,940	219,814	61,134	6,964	23,185	589	444,626
March 31, 2012	$ 221,242	$ 1,614,341	$ 61,134	$ 6,964	$ 23,185	$ 589	$ 1,927,455

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at March 31, 2013	$ 62,110,340	$ 46,195,497	$ 33,055,675	$ 3,180,403	$ 15,922,228	$ 1,090,516	$ 161,554,659
Individually evaluated for impairment	$ 2,896,197	$ -	$ -	$ -	$ -	$ -	$ 2,896,197
Collectively evaluated for impairment	$ 59,214,143	$ 46,195,497	$ 33,055,675	$ 3,180,403	$ 15,922,228	$ 1,090,516	$ 158,658,462
Ending Balance at December 31, 2012	$ 60,379,797	$ 55,325,147	$ 33,094,673	$ 3,308,554	$ 15,647,787	$ 1,216,512	$ 168,972,470
Individually evaluated for impairment	$ 2,997,704	$ -	$ -	$ -	$ -	$ -	$ 2,997,704
Collectively evaluated for impairment	$ 57,382,093	$ 55,325,147	$ 33,094,673	$ 3,308,554	$ 15,647,787	$ 1,216,512	$ 165,974,766

NOTE 4 — CAPITAL:

The association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the association's goals and objectives with the board.

NOTE 5 — INCOME TAXES:

Ag New Mexico, Farm Credit Services, ACA and its subsidiary are subject to federal and certain other income taxes. The associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During the three months ended March 31, 2013, the association did participate in a patronage program. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. For the three months ended March 31, 2013, and 2012, taxable income for the taxable subsidiary amounted to $271,987 and $-218,272 respectively. The net deferred tax asset was reduced $109,067 for the current year since that amount in income tax provision was generated due to the amount of taxable income.

The subsidiary, Ag New Mexico FCS, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

NOTE 6 — FAIR VALUE MEASUREMENTS:

FASB 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. See Note 2 to the 2012 Annual Report to Stockholders for a more complete description.

Quantitative Information About Recurring and Nonrecurring Level 3 Fair Value Measurements

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. The association utilizes appraisals to value these loans and other property owned, and takes into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

The association had no assets or liabilities measured at fair value on a recurring basis for the three months ending March, 31, 2013 and 2012, respectively.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

March 31, 2013	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ 2,496,542**	**$ 2,496,542**	**$ -**
Other property owned	**-**	**-**	**998,798**	**998,798**	**-**

December 31, 2012	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ 2,121,181	$ 2,121,181	$(276,596)
Other property owned	-	-	998,798	998,798	-

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 2 to the 2012 Annual Report to Stockholders, 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 represent a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2012 Annual Report to Stockholders.

Loans

For certain loans evaluated for impairment under authoritative 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, which is generally determined using appraisals or other indications based on comparable sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31:

	Other Benefits	
	2013	2012
Service cost	**$ 5,684**	$ 5,705
Interest cost	**12,366**	12,231
Expected return on plan assets	**-**	-
Amortization of prior service (credits) costs	**(6,313)**	(15,178)
Amortizations of net actuarial (gain) loss	**15,511**	10,359
Net periodic benefit cost	**$ 27,248**	$ 13,117

The association's liability for the unfunded accumulated obligation for these benefits at March 31, 2013, was $1,158,672 and is included in "Other Liabilities" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. The association contributed $392,823 to the district's defined benefit pension plan in 2013. The contribution was made in full at the beginning of the year and will be expensed ratably over 12 months. As of March 31, 2012, $98,206 has been recognized as an expense.

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2013	2012
Accumulated other comprehensive loss at January 1	**$ (369,186)**	$ (219,746)
Amortization of prior service credits included in net periodic postretirement benefit cost	**(6,313)**	(15,177)
Amortization of actuarial loss included in net periodic postretirement benefit cost	**15,511**	10,359
Income tax expense related to items of other comprehensive income	**-**	1,140
Other comprehensive income (loss), net of tax	**9,198**	(3,678)
Accumulated other comprehensive loss at March 31	**$ (359,988)**	$ (223,424)

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association.

NOTE 9 — REGULATORY ENFORCEMENT MATTERS:

The Association and its regulator (Farm Credit Administration) entered into a Supervisory Agreement effective March 20, 2012 that placed additional reporting requirements on the association along with certain other board actions. The Board, in response to the Agreement, adopted a multi-step detailed Plan of Action designed to address the requirements mandated in the Plan. In addition to additional reporting requirements, the Board has:

- Revised its committee structure by adding Governance, and Risk Management Committees, and
- Revised its Nominating Committee by adding a third meeting at least 180 days prior to the election, and
- Engaged an outside Consultant to advise the Board, and
- Prepared a board and individual board member training plan designed to strengthen the board's expertise, and
- Replaced the retired CEO.

It is the intention of the Board to keep stockholders fully informed as the association progresses toward full compliance with the Supervisory Agreement. At quarter-end the Board has met all requirements of the Agreement. Progress toward achieving full compliance will be communicated in subsequent quarterly reports.

NOTE 10 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through May 3, 2013, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 3, 2013.