AG NEW MEXICO, FARM CREDIT SERVICES, ACA

2013
Quarterly Report
Second Quarter

For the Quarter Ended June 30, 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

August 9, 2013

Mark McCollum, Chairman, Board of Directors

August 9, 2013

Lucille Conley, Vice President, Accounting Manager

August 9, 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 June 30, 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 six months ending June 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 $1,512,472 to net income of $1,405,046 for the six months ending June 2012 and 2013, respectively. The increase in net income is primarily attributed to decreases in provisions for losses on acquired property and provision for loan loss, in addition to a recovery of loan principal previously charged off. Earnings in the first half of 2013 helped strengthen the association's capital position to 14.6 percent as compared to 12.2 percent in December 2012.

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 corrected the deficiency and is currently in compliance with all GFA covenants and the terms of the waiver.

Farmers and ranchers in New Mexico, which is the primary area served by the Association, have been experiencing drought conditions for nearly three years. Early and sustained monsoon activities since early June of 2013 have dramatically improved pasture conditions. Recovery of reservoir levels will require several years of heavier winter snowpack. Reduced New Mexico pasture cattle inventories will ensure that significant pasture will be rested in 2013. 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. New Mexico dairy producers appear to be most impacted due to low milk prices in conjunction with higher feed costs. The net result will likely be a material contraction in the state dairy herd and the number of producers in the next 12 months. The association strives to timely identify risks in the loan portfolio and to take prompt action to address those risks. The association will undergo at least three separate asset quality examinations in 2013, which will test the Associations' risk identification and rating accuracy. Those reviews will include an examination by the association's regulator (FCA), the Farm Credit Bank of Texas and an internal credit review performed by a third-party consulting group.

During the second quarter of 2013, the association stockholders elected Linda Miller Brown to serve as a director and Dwayne Vidlar was reelected for a second term as director on the association's board. In May 2013, upon nomination by the association's board of directors, Vice Chairman Mark McCollum was elected to succeed Ronnie Harral as the Board Chairman. Mr. Harral was elected to succeed Mr. McCollum as Vice Chairman.

Loan Portfolio:

Total loans outstanding at June 30, 2013, including nonaccrual loans and sales contracts, were $166,392,344 compared to $167,427,649 at December 31, 2012, reflecting a decrease of 0.6 percent. Nonaccrual loans as a percentage of total loans outstanding were 1.8 percent at June 30, 2013, compared to 1.8 percent at December 31, 2012.

The association recorded $0 in recoveries and $0 in charge-offs for the quarter ended June 30, 2013, and $425 in recoveries and $71,391 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 June 30, 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.

	June 30, 2013		December 31, 2012	
	Amount	**%**	Amount	%
Nonaccrual	**$ 2,924,144**	**74.5%**	$ 2,997,112	75.0%
90 days past due and still accruing interest	**-**	**0.0%**	592	0.0%
Other property owned, net	**998,294**	**25.5%**	998,798	25.0%
Total	**$ 3,922,438**	**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. 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 $10.4 million at June 30, 2013.

Results of Operations:

The association had net income of $418,309 and $1,405,046 for the three and six months ended June 30, 2013, as compared to net loss of $1,457,557 and $1,512,472 for the same period in 2012. Net interest income was $1,200,924 and $2,327,250 for the three and six months ended June 30, 2013, compared to $1,229,241 and $2,379,336 for the same period in 2012.

	June 30, 2013		June 30, 2012	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 162,621,263**	**$3,198,598**	$ 150,256,072	$ 3,176,577
Investments	**10,830,164**	**235,309**	19,295,550	422,551
Total interest-earning assets	**173,451,427**	**3,433,907**	169,551,622	3,599,128
Interest-bearing liabilities	**153,998,765**	**1,106,657**	152,859,245	1,219,792
Impact of capital	**$ 19,452,662**		$ 16,692,377	
Net interest income		**$2,327,250**		$ 2,379,336

	2013 Average Yield	2012 Average Yield
Yield on loans	**3.97%**	4.25%
Yield on investments	**4.38%**	4.40%
Total yield on interest-earning assets	**3.99%**	4.27%
Cost of interest-bearing liabilities	**1.45%**	1.60%
Interest rate spread	**2.54%**	2.66%
Net interest income as a percentage of average earning assets	**2.71%**	2.82%

	June 30, 2013 vs. June 30, 2012		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	$ 260,686	$ (238,665)	$ 22,021
Interest income - investments	(184,867)	(2,375)	(187,242)
Total interest income	75,819	(241,040)	(165,221)
Interest expense	9,068	(122,203)	(113,135)
Net interest income	$ 66,751	$ (118,837)	$ (52,086)

Interest income for the three and six months ended June 30, 2013, decreased by $87,351 and $165,221, or 4.8 and 4.6 percent, respectively, from the same period of 2012, primarily due to declines in yields on earning assets and lower investment volume, offset by an increase in average loan volume. Interest expense for the three and six months ended June 30, 2013, decreased by $59,034 and $113,135, or 9.7 and 9.3 percent, respectively, 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 second quarter of 2013 was $163,889,921, compared to $154,108,910 in the second quarter of 2012. The average net interest rate spread on the loan portfolio for the second quarter of 2013 was 2.59 percent, compared to 2.71 percent in the second quarter of 2012.

The association's return on average assets for the six months ended June 30, 2013, was 1.53 percent compared to -1.65 percent for the same period in 2012. The association's return on average equity for the six months ended June 30, 2013, was 9.49 percent, compared to -10.43 percent for the same period in 2012.

One significant event that adversely impacted net income for the six months ended June 30, 2012 was the write down of the value of other property owned by establishing an allowance for loss on other property owned of the amount $2,431,350. The allowance was necessary due to the results of an appraisal the association received on the property.

Liquidity and Funding Sources:

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

	June 30, 2013	December 31, 2012
Note payable to the bank	$ 155,740,111	$ 163,335,885
Accrued interest on note payable	183,779	204,717
Total	$ 155,923,890	$ 163,540,602

The association operates under a general financing agreement (GFA) with the bank. The current GFA is effective through September 30, 2013. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $155,740,111 as of June 30, 2013, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 1.44 percent at June 30, 2013. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by a general financing agreement. The decrease in note payable to the bank and related accrued interest payable since December 31, 2012, is due to the association's decrease in assets. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $20,909,222 at June 30, 2013. The maximum amount the association may borrow from the bank as of June 30, 2013, was $175,647,347 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2013, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days prior written notice, or in all other circumstances, upon giving the bank 120 days prior written notice.

Capital Resources:

The association's capital position increased by $1,410,182 at June 30, 2013, compared to December 31, 2012. The association's debt as a percentage of members' equity was 5.20:1 as of June 30, 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 June 30, 2013, was 14.6 percent, which is in compliance with the FCA's minimum permanent capital standard. The association's core surplus ratio and total surplus ratio at June 30, 2013, were 14.4 and 14.4 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 did not impact financial condition or results of operations, but resulted 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 nonpublic entities for annual periods beginning after December 15, 2013. The association has adopted this guidance, which did not impact the financial condition or results of operations, but resulted in additional disclosures which are included in Note 7 – Employee Benefit Plans.

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 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

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Cash	**$ 103,087**	$ 207,043
Investments	**10,443,801**	11,155,650
Loans	**166,392,344**	167,427,649
Less: allowance for loan losses	**908,393**	870,375
Net loans	**165,483,951**	166,557,274
Accrued interest receivable	**1,406,712**	1,717,138
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**4,631,040**	4,631,040
Other	**781,636**	513,770
Deferred taxes, net	**883,183**	1,088,210
Other property owned, net	**998,294**	998,798
Premises and equipment	**3,159,153**	3,191,551
Other assets	**269,363**	4,066,080
Total assets	**$ 188,160,220**	$ 194,126,554
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 155,740,111**	$ 163,335,885
Advance conditional payments	**348,299**	216,381
Accrued interest payable	**183,779**	204,717
Drafts outstanding	**144,029**	39,539
Other liabilities	**1,377,319**	1,373,531
Total liabilities	**157,793,537**	165,170,053
MEMBERS' EQUITY		
Capital stock and participation certificates	**298,690**	311,950
Unallocated retained earnings	**30,418,783**	29,013,737
Accumulated other comprehensive loss	**(350,790)**	(369,186)
Total members' equity	**30,366,683**	28,956,501
Total liabilities and members' equity	**$ 188,160,220**	$ 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 Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
INTEREST INCOME				
Loans	**$ 1,636,401**	$ 1,632,925	**$ 3,198,598**	$ 3,176,577
Investments	**115,779**	206,606	**235,309**	422,551
Total interest income	**1,752,180**	1,839,531	**3,433,907**	3,599,128
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**551,256**	610,290	**1,106,657**	1,219,792
Net interest income	**1,200,924**	1,229,241	**2,327,250**	2,379,336
PROVISION (Reversal) FOR LOSSES				
Provision (reversal) for loan losses	**51,249**	47,986	**(439,549)**	616,454
Provision for losses on acquired property	**-**	2,431,350	**-**	2,431,350
Net interest income after provision for loan losses	**1,149,675**	(1,250,095)	**2,766,799**	(668,468)
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**204,947**	263,073	**426,473**	527,404
Loan fees	**(4,673)**	18,303	**16,018**	38,460
Refunds from Farm Credit System Insurance Corporation	**-**	177,909	**-**	177,909
Financially related services income	**5,721**	12,085	**10,011**	25,366
Gain (loss) on other property owned, net	**(3,059)**	(4,951)	**79,157**	(4,951)
Gain on sale of premises and equipment, net	**-**	-	**50,500**	10,400
Other noninterest income	**12,536**	332,669	**33,293**	341,669
Total noninterest income	**215,472**	799,088	**615,452**	1,116,257
NONINTEREST EXPENSES				
Salaries and employee benefits	**501,539**	499,747	**993,808**	1,066,251
Directors' expense	**49,119**	75,636	**113,136**	153,295
Purchased services	**15,790**	17,154	**71,550**	45,032
Travel	**35,078**	53,489	**72,269**	90,744
Occupancy and equipment	**65,197**	54,826	**130,068**	108,780
Communications	**5,336**	5,928	**11,779**	12,407
Advertising	**5,416**	6,966	**23,202**	16,397
Public and member relations	**17,741**	12,913	**33,500**	27,370
Supervisory and exam expense	**33,273**	34,290	**63,967**	61,049
Insurance Fund premiums	**34,056**	19,443	**76,785**	39,019
Other noninterest expense	**84,333**	77,218	**162,167**	189,837
Total noninterest expenses	**846,878**	857,610	**1,752,231**	1,810,181
Income (loss) before income taxes	**518,269**	(1,308,617)	**1,630,020**	(1,362,392)
Provision for income taxes	**99,960**	148,940	**224,974**	150,080
NET INCOME (LOSS)	**418,309**	(1,457,557)	**1,405,046**	(1,512,472)
Other comprehensive income (loss):				
Change in postretirement benefit plans	**9,198**	(3,678)	**18,396**	(7,356)
COMPREHENSIVE INCOME (LOSS)	**$ 427,507**	$ (1,461,235)	**$ 1,423,442**	$ (1,519,828)

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	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	-	(1,512,472)	(7,356)	(1,519,828)
Capital stock/participation certificates and allocated retained earnings issued	18,315	-	-	18,315
Capital stock/participation certificates and allocated retained earnings retired	(24,285)	-	-	(24,285)
Balance at June 30, 2012	$ 321,780	$ 27,230,895	$ (227,102)	$ 27,325,573
Balance at December 31, 2012	$ 311,950	$ 29,013,737	$ (369,186)	$ 28,956,501
Comprehensive income	-	1,405,046	18,396	1,423,442
Capital stock/participation certificates and allocated retained earnings issued	5,305	-	-	5,305
Capital stock/participation certificates and allocated retained earnings retired	(18,565)	-	-	(18,565)
Balance at June 30, 2013	**$ 298,690**	**$ 30,418,783**	**$ (350,790)**	**$ 30,366,683**

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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 second 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 nonpublic 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 (See Note 7 – Employee Benefit Plans.

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 June 30, 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, and for the association to receive a 30-basis-point fee for servicing the underlying loans.

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

	June 30, 2013				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Agricultural mortgage-backed securities	**$10,443,801**	**$ -**	**$143,957**	**$10,299,844**	**4.28 %**

	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 June 30, 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	$ -	$ 10,299,844	$ -	$ -	$ 10,299,844
Total fair value	-	10,299,844	-	-	10,299,844
Total amortized cost	$ -	$ 10,443,801	$ -	$ -	$ 10,443,801
Weighted Average Yield	- %	4.28 %	- %	- %	4.28

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	June 30, 2013 Amount	December 31, 2012 Amount
Production agriculture:		
Real estate mortgage	**$ 61,567,897**	$ 59,503,685
Production and intermediate term	**50,619,198**	54,844,736
Agribusiness:		
Loans to cooperatives	**1,453,128**	1,393,217
Processing and marketing	**27,584,655**	26,818,501
Farm-related business	**4,052,352**	4,792,635
Communication	**3,094,503**	3,308,119
Energy	**15,039,417**	13,699,831
Water and waste water	**1,905,967**	1,853,165
Rural residential real estate	**1,075,227**	1,213,760
Total	**$ 166,392,344**	$ 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 June 30, 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	$ 4,579,494	$ 22,292,042	$ -	$ -	$ 4,579,494	$ 22,292,042
Production and intermediate term	9,458,020	17,218,338	-	-	9,458,020	17,218,338
Agribusiness	25,437,790	3,331,416	-	-	25,437,790	3,331,416
Communication	3,094,503	-	-	-	3,094,503	-
Energy	15,039,417	-	-	-	15,039,417	-
Water and waste water	1,905,967	-	-	-	1,905,967	-
Total	$ 59,515,191	$ 42,841,796	$ -	$ -	$ 59,515,191	$ 42,841,796

The association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were $734,588 and $466,357 at June 30, 2013, and December 31, 2012, respectively.

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

	June 30, 2013	December 31, 2012
Nonaccrual loans:		
Real estate mortgage	**$ 2,924,144**	$ 2,997,112
Total nonaccrual loans	**2,924,144**	2,997,112
Accruing loans 90 days or more past due:		
Production and intermediate term	**-**	592
Total accruing loans 90 days or more	**-**	592
Total nonperforming loans	**2,924,144**	2,997,704
Other property owned	**998,294**	998,798
Total nonperforming assets	**$ 3,922,438**	$ 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:

	June 30, 2013	December 31, 2012
Real estate mortgage		
Acceptable	**84.6** %	84.9 %
OAEM	**4.8**	4.2
Substandard/doubtful	**10.6**	10.9
	100.0	100.0
Production and intermediate term		
Acceptable	**89.0**	89.0
OAEM	**9.5**	7.8
Substandard/doubtful	**1.5**	3.2
	100.0	100.0
Agribusiness		
Acceptable	**100.0**	98.1
OAEM	**-**	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	**91.0**	90.6
OAEM	**4.6**	4.4
Substandard/doubtful	**4.4**	5.0
	100.0 %	100.0 %

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

June 30, 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 Past Due and Accruing**
Real estate mortgage	**$ 47,425**	**$ 763,101**	**$ 810,526**	**$ 61,359,068**	**$ 62,169,594**	**$ -**
Production and intermediate term	**1,959,115**	**-**	**1,959,115**	**49,125,919**	**51,085,034**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,453,758**	**1,453,758**	**-**
Processing and marketing	**-**	**-**	**-**	**27,665,452**	**27,665,452**	**-**
Farm-related business	**392,441**	**-**	**392,441**	**3,690,292**	**4,082,733**	**-**
Communication	**-**	**-**	**-**	**3,095,421**	**3,095,421**	**-**
Energy	**-**	**-**	**-**	**15,142,832**	**15,142,832**	**-**
Water and waste water	**-**	**-**	**-**	**1,906,626**	**1,906,626**	**-**
Rural residential real estate	**-**	**-**	**-**	**1,077,624**	**1,077,624**	**-**
Total	**$ 2,398,981**	**$ 763,101**	**$ 3,162,082**	**$ 164,516,992**	**$ 167,679,074**	**$ -**

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 Past Due 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 second quarter of 2013 or for the preceding twelve months.

Additional impaired loan information is as follows:

	June 30, 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	**$2,072,829**	**$2,415,539**	**$ 399,655**	$ 2,146,986	$ 2,489,696	$ 399,655
Total	**$2,072,829**	**$2,415,539**	**$ 399,655**	$ 2,146,986	$ 2,489,696	$ 399,655
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 851,315**	**$ 851,315**	**$ -**	$ 850,718	$ 1,857,056	$ -
Total	**$ 851,315**	**$ 851,315**	**$ -**	$ 850,718	$ 1,857,056	$ -
Total impaired loans:						
Real estate mortgage	**$2,924,144**	**$3,266,854**	**$ 399,655**	$ 2,997,704	$ 4,346,752	$ 399,655
Total	**$2,924,144**	**$3,266,854**	**$ 399,655**	$ 2,997,704	$ 4,346,752	$ 399,655

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

	For the Quarter Ended June 30, 2013		For the Quarter Ended June 30, 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	**$ 2,062,133**	**$ -**	$ 2,246,975	$ -
Production and intermediate term	**-**	**-**	3,982,978	-
Total	**$ 2,062,133**	**$ -**	$ 6,229,953	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 851,315**	**$ -**	$ 874,188	$ -
Production and intermediate term	**-**	**-**	999,299	-
Farm-related business	**-**	**-**	1	-
Total	**$ 851,315**	**$ -**	$ 1,873,488	$ -
Total impaired loans:				
Real estate mortgage	**$ 2,913,448**	**$ -**	$ 3,121,163	$ -
Production and intermediate term	**-**	**-**	4,982,277	-
Farm-related business	**-**	**-**	1	-
Total	**$ 2,913,448**	**$ -**	$ 8,103,441	$ -

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	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at March 31, 2013	$ 530,655	$ 199,288	$ 87,802	$ 5,946	$ 32,823	$ 630	$ 857,144
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	45,142	27,554	(21,661)	(232)	478	(32)	51,249
Balance at June 30, 2013	$ 575,797	$ 226,842	$ 66,141	$ 5,714	$ 33,301	$ 598	$ 908,393
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	(437,601)	9,845	(10,640)	(2,454)	1,354	(53)	(439,549)
Balance at June 30, 2013	$ 575,797	$ 226,842	$ 66,141	$ 5,714	$ 33,301	$ 598	$ 908,393
Ending Balance:							
Individually evaluated for impairment	$ 399,655	$ -	$ -	$ -	$ -	$ -	$ 399,655
Collectively evaluated for impairment	176,142	226,842	66,141	5,714	33,301	598	508,738
Balance at June 30, 2013	$ 575,797	$ 226,842	$ 66,141	$ 5,714	$ 33,301	$ 598	$ 908,393
Balance at March 31, 2012	$ 221,242	$ 1,614,341	$ 61,134	$ 6,964	$ 23,185	$ 589	$ 1,927,455
Charge-offs	-	(71,391)	-	-	-	-	(71,391)
Recoveries	-	425	-	-	-	-	425
Provision for loan losses	29,817	9,421	7,215	(60)	1,512	82	47,987
Balance at June 30, 2012	$ 251,059	$ 1,552,796	$ 68,349	$ 6,904	$ 24,697	$ 671	$ 1,904,476
Balance at December 31, 2011	$ 165,335	$ 2,106,362	$ 60,386	$ 2,504	$ 31,262	$ 612	$ 2,366,461
Charge-offs	(196,676)	(882,873)	-	-	-	-	(1,079,549)
Recoveries	-	1,109	-	-	-	-	1,109
Provision for loan losses	282,400	328,198	7,963	4,400	(6,565)	59	616,455
Balance at June 30, 2012	$ 251,059	$ 1,552,796	$ 68,349	$ 6,904	$ 24,697	$ 671	$ 1,904,476
Ending Balance:							
Individually evaluated for impairment	$ 105,725	$ 1,304,941	$ -	$ -	$ -	$ -	$ 1,410,666
Collectively evaluated for impairment	145,334	247,855	68,349	6,904	24,697	671	493,810
Balance at June 30, 2012	$ 251,059	$ 1,552,796	$ 68,349	$ 6,904	$ 24,697	$ 671	$ 1,904,476
Recorded Investments in Loans Outstanding:							
Ending Balance:							
Individually evaluated for impairment	$ 2,913,448	$ -	$ -	$ -	$ -	$ -	$ 2,913,448
Collectively evaluated for impairment	59,256,146	51,085,034	33,201,943	3,095,421	17,049,458	1,077,624	164,765,626
Ending Balance at June 30, 2013	$ 62,169,594	$ 51,085,034	$ 33,201,943	$ 3,095,421	$ 17,049,458	$ 1,077,624	$ 167,679,074
Ending Balance:							
Individually evaluated for impairment	$ 3,175,860	$ 4,867,341	$ -	$ -	$ -	$ -	$ 8,043,201
Collectively evaluated for impairment	65,248,954	51,989,100	31,283,121	2,597,477	10,793,487	1,305,816	163,217,955
Ending Balance at June 30, 2012	$ 68,424,814	$ 56,856,441	$ 31,283,121	$ 2,597,477	$ 10,793,487	$ 1,305,816	$ 171,261,156

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 six months ended June 30, 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 six months ended June 30, 2013, and 2012, net income for tax purposes amounted to $511,291 and $284,721, respectively.

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.

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

June 30, 2013	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$2,524,489**	**$2,524,489**	**$ -**
Other property owned	**-**	**-**	**998,294**	**998,294**	**79,157**

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 June 30:

	Other Benefits	
	2013	2012
Service cost	**$ 5,684**	$ 5,705
Interest cost	**12,366**	12,230
Expected return on plan assets	**-**	-
Amortization of prior service credits	**(6,313)**	(15,178)
Amortizations of net actuarial loss	**15,511**	10,360
Net periodic benefit cost	**$ 27,248**	$ 13,117

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the six months ended June 30:

	Other Benefits	
	2013	2012
Service cost	**$ 11,368**	$ 11,409
Interest cost	**24,732**	24,461
Expected return on plan assets	**-**	-
Amortization of prior service credits	**(12,626)**	(30,355)
Amortizations of net actuarial loss	**31,022**	20,720
Net periodic benefit cost	**$ 54,496**	$ 26,235

The association's liability for the unfunded accumulated obligation for these benefits at June 30, 2013, was $1,176,723 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 June 30, 2013, $196,412 has been recognized as an expense.

The association's accumulated other comprehensive loss relates entirely to its nonpension other postretirement benefits. Amortization of prior service credits and of actuarial loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive loss for the six months ended June 30:

	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	**(12,626)**	(30,355)
Amortization of actuarial loss included in net periodic postretirement benefit cost	**31,022**	20,719
Income tax expense related to items of other comprehensive income	**-**	2,280
Other comprehensive income (loss), net of tax	**18,396**	(7,356)
Accumulated other comprehensive income at June 30	**$ (350,790)**	$ (227,102)

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 August 9, 2013, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 9, 2013.