

MISSISSIPPI LAND BANK, ACA

**2011
Quarterly Report
Third Quarter**




Part of the Farm Credit System


For the Quarter Ended September 30, 2011

REPORT OF MANAGEMENT

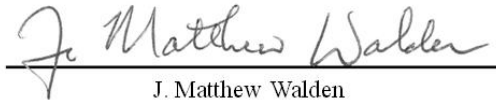
The undersigned certify that we have reviewed this report, that it has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of his or her knowledge and belief.



Gary L. Gaines
President and Chief Executive Officer
November 10, 2011



Abbott R. Myers
Chairman, Board of Directors
November 10, 2011



J. Matthew Walden
Chief Financial Officer
November 10, 2011

**MISSISSIPPI LAND BANK, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following commentary reviews the financial performance of the Mississippi Land Bank, ACA (Agricultural Credit Association), referred to as the Association, for the quarter and nine months ended September 30, 2011. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2010, 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.

Loan Portfolio:

Total loans outstanding at September 30, 2011, including nonaccrual loans and sales contracts, were \$450,205,183 compared to \$457,375,250 at December 31, 2010, reflecting a decrease of 1.6 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.8 percent at September 30, 2011, compared to 1.1 percent at December 31, 2010.

The Association recorded \$0 in recoveries and \$26,306 in charge-offs for the quarter ending September 30, 2011, and \$0 in recoveries and \$626,481 in charge-offs for the same period in 2010. The Association's allowance for loan losses was 0.2 percent and 0.2 percent of total loans outstanding as of September 30, 2011, and December 31, 2010, 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.

	September 30, 2011		December 31, 2010	
	Amount	%	Amount	%
Nonaccrual	\$ 3,572,235	61.2%	\$ 4,870,858	79.8%
90 days past due and still accruing interest	208,103	3.6%	253,753	4.2%
Formally restructured	1,248,847	21.4%	-	0.0%
Other property owned, net	807,977	13.8%	982,318	16.1%
Total	\$ 5,837,162	100.0%	\$ 6,106,929	100.1%

Results of Operations:

The Association had net income of \$4,517,026 for the nine months ended September 30, 2011, as compared to net income of \$5,443,006 for the same period in 2010 reflecting a decrease of 17.0 percent respectively. The primary reasons for the decrease in net income were an increase of \$1,029,506 in net interest income offset by an increase in provision for loan losses of \$1,210,306 versus the same period in 2010. Additionally, in 2010, the association received \$439,109 in an insurance premium refund from the Farm Credit System Insurance Corporation

Net interest income was \$9,676,191 for the nine months ended September 30, 2011, compared to \$8,646,685 for the same period in 2010. Interest income for the nine months of 2011 decreased by \$287,683, or 1.6 percent, from the same period of 2010, primarily due to a decrease in yields on earning assets offset by an increase in average loan volume. Interest expense for the nine months of 2011 decreased by \$1,317,189, or 14.5 percent, from the same period of 2010 due to a decrease in interest rates partially offset by an increase in average debt volume. Average loan volume for the third quarter of 2011 was \$444,724,119, compared to \$438,090,056 in the third quarter of 2010. The average spread on the loan portfolio for the third quarter of 2011 was 2.53 percent, compared to 2.35 percent in the third quarter of 2010.

The Association's return on average assets for the months ended September 30, 2011, was 1.29 percent compared to 1.62 percent for the same period in 2010. The Association's return on average equity for the months ended September 30, 2011, was 8.07 percent, compared to 10.32 percent for the same period in 2010.

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.

	September 30, 2011	December 31, 2010
Note payable to the bank	\$ 388,310,669	\$ 397,694,702
Accrued interest on note payable	832,734	923,452
Total	<u>\$ 389,143,403</u>	<u>\$ 398,618,154</u>

Capital Resources:

The Association's capital position increased by \$4,531,566 at September 30, 2011, compared to December 31, 2010. The Association's debt as a ratio of members' equity was 5.11:1 as of September 30, 2011, compared to 5.59:1 as of December 31, 2010.

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 September 30, 2011, was 15.0 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at September 30, 2011, were 14.5 and 14.5 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In June 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Comprehensive Income – Presentation of Comprehensive Income." This guidance is intended to increase the prominence of other comprehensive income in financial statements. The current option that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The main provisions of the guidance provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements:

- A single statement must present the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income.
- In a two-statement approach, an entity must present the components of net income and total net income in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income.

This guidance is to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance will not impact financial condition or results of operations, but will result in changes to the presentation of comprehensive income.

In May 2011, the FASB issued guidance entitled, "Fair Value Measurement – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following:

1. Application of the highest and best use and valuation premise is only relevant when measuring the fair value of nonfinancial assets (does not apply to financial assets and liabilities).
2. Aligning the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities. As a result, an entity should measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets.
3. Clarifying that a reporting entity should disclose quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy.

4. An exception to the requirement for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than its gross exposure, to those risks.
5. Clarifying that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value. Premiums or discounts related to size as a characteristic of the entity's holding (that is, a blockage factor) instead of as a characteristic of the asset or liability (for example, a control premium), are not permitted. A fair value measurement that is not a Level 1 measurement may include premiums or discounts other than blockage factors when market participants would incorporate the premium or discount into the measurement at the level of the unit of account specified in other guidance.
6. Expansion of the disclosures about fair value measurements. The most significant change will require entities, for their recurring Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures are required about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed.

The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted.

In January 2011, the FASB issued guidance entitled, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings." This guidance temporarily delayed the effective date of the disclosures about troubled debt restructurings required by the guidance previously issued on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." The effective date of the new disclosures about troubled debt restructurings (TDR) coincides with the guidance for determining what constitutes a TDR as described below.

In April 2011, the FASB issued its guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a TDR. In evaluating whether a restructuring is a TDR, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. For nonpublic entities, the guidance is effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The Association is currently evaluating the impact of adoption of this Standard on the financial condition or results of operations. The adoption will result in additional disclosures.

In July 2010, the Financial Accounting Standards Board (FASB) issued guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Loan Losses," which is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of the allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis (by portfolio segment and class of financing receivable) including among others, a rollforward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables by class, the nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this Standard did not impact the Association's financial condition or results of operations, but did result in significant additional disclosures.

In January 2010, the FASB issued guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurement by increasing transparency in financial reporting. The changes will provide a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurement. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this Standard did not impact the Association's financial condition or results of operations but did result 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, 2010, Annual Report of Mississippi Land Bank, ACA more fully describe the Association's relationship with the Bank.

The Texas Farm Credit District's (District) annual and quarterly stockholder reports 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 District makes its annual and quarterly stockholder reports 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 Mississippi Land Bank, ACA, P.O. Box 667, Senatobia, MS 38668-0667 or by calling (662_ 562-9671. Copies of the Association's quarterly stockholder reports can also be found at the Association's website, www.mslandbank.com, or can be requested by e-mailing Jessica.Stanford@farmcreditbank.com.

MISSISSIPPI LAND BANK, A CA

CONSOLIDATED BALANCE SHEET

	September 30, 2011 (unaudited)	December 31, 2010
<u>ASSETS</u>		
Cash	\$ 16,817	\$ 54,073
Loans	450,205,183	457,375,250
Less: allowance for loan losses	992,721	701,332
Net loans	449,212,462	456,673,918
Accrued interest receivable	9,455,110	8,670,976
Investment in and receivable from the bank:		
Capital stock	7,558,095	7,558,095
Other	128,933	720,785
Deferred taxes, net	-	-
Other property owned, net	807,977	982,318
Premises and equipment	3,382,317	3,422,254
Other assets	503,169	249,567
Total assets	\$ 471,064,880	\$ 478,331,986
<u>LIABILITIES</u>		
Note payable to the bank	\$ 388,310,669	\$ 397,694,702
Guaranteed obligations to government entities	2,692,310	2,156,009
Accrued interest payable	832,733	923,452
Drafts outstanding	375,677	780,035
Patronage distributions payable	-	1,578,000
Other liabilities	1,781,192	2,659,055
Total liabilities	393,992,581	405,791,253
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	2,583,760	2,546,170
Unallocated retained earnings	74,509,507	69,992,480
Accumulated other comprehensive income (loss)	(20,968)	2,083
Total members' equity	77,072,299	72,540,733
Total liabilities and members' equity	\$ 471,064,880	\$ 478,331,986

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<u>INTEREST INCOME</u>				
Loans	\$ 5,788,948	\$ 5,890,601	\$ 17,433,454	\$ 17,721,137
<u>INTEREST EXPENSE</u>				
Note payable to the bank	2,555,679	2,873,709	7,757,263	9,074,452
Net interest income	3,233,269	3,016,892	9,676,191	8,646,685
<u>PROVISION FOR LOAN LOSSES</u>				
Provision (negative provision) for loan losses	263,468	(675,980)	317,695	(892,611)
Provision for acquired property losses	-	158,647	-	158,647
Net interest income after provision for loan losses	2,969,801	3,534,225	9,358,496	9,380,649
<u>NONINTEREST INCOME</u>				
Income from the bank:				
Patronage income	49,634	54,097	149,652	174,951
Loan fees	43,578	208,462	112,451	535,527
Financially related services income	3,103	1,306	4,962	3,492
Gain (loss) on other property owned, net	-	(1,556)	2,651	145,636
Gain (loss) on sale of premises and equipment, net	-	-	43,967	693
Other noninterest income	513	-	14,879	484,683
Total noninterest income	96,828	262,309	328,562	1,344,982
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits	1,202,549	1,175,291	3,522,839	3,517,169
Directors' expense	14,843	10,274	98,098	62,181
Purchased services	47,360	157,573	203,828	454,025
Travel	70,638	77,455	207,046	206,085
Occupancy and equipment	74,577	78,079	221,508	224,459
Communications	17,880	20,527	55,904	58,226
Advertising	39,653	55,786	216,911	194,448
Public and member relations	13,068	16,674	89,537	99,239
Supervisory and exam expense	42,294	38,463	126,882	115,389
Insurance Fund premiums	55,358	45,944	167,757	136,691
Other noninterest expense	53,470	58,753	255,113	214,713
Total noninterest expenses	1,631,690	1,734,819	5,165,423	5,282,625
Income before income taxes	1,434,939	2,061,715	4,521,635	5,443,006
Provision for (benefit from) income taxes	4,609	-	4,609	-
Net income	\$ 1,430,330	\$ 2,061,715	\$ 4,517,026	\$ 5,443,006

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	<u>Capital Stock/ Participation Certificates</u>	<u>Unallocated Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Members' Equity</u>
Balance at December 31, 2009	\$ 2,355,990	\$ 63,622,115	\$ 176,859	\$ 66,154,964
Comprehensive income				
Net income	-	5,443,006	-	5,443,006
Change in postretirement benefit plans	-	-	(31,813)	(31,813)
Total comprehensive income	-	5,443,006	(31,813)	5,411,193
Capital stock/participation certificates issued	295,530	-	-	295,530
Capital stock/participation certificates retired	(162,525)	-	-	(162,525)
Balance at September 30, 2010	<u>\$ 2,488,995</u>	<u>\$ 69,065,121</u>	<u>\$ 145,046</u>	<u>\$ 71,699,162</u>
Balance at December 31, 2010	\$ 2,546,170	\$ 69,992,480	\$ 2,083	\$ 72,540,733
Comprehensive income				
Net income	-	4,517,026	-	4,517,026
Change in postretirement benefit plans	-	-	(23,050)	(23,050)
Total comprehensive income	-	4,517,026	(23,050)	4,493,976
Capital stock/participation certificates issued	250,270	-	-	250,270
Capital stock/participation certificates retired	(212,680)	-	-	(212,680)
Balance at September 30, 2011	<u>\$ 2,583,760</u>	<u>\$ 74,509,506</u>	<u>\$ (20,967)</u>	<u>\$ 77,072,299</u>

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

MISSISSIPPI LAND BANK, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Mississippi Land Bank, 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 the counties of Alcorn, Attala, Benton, Bolivar, Calhoun, Chickasaw, Choctaw, Clay, Coahoma, DeSoto, Itawamba, Lafayette, Lee, Lowndes, Marshall, Monroe, Noxubee, Oktibbeha, Panola, Pontotoc, Prentiss, Quitman, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Webster, Winston, and Yalobusha in the state of Mississippi. 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, 2010, are contained in the 2010 Annual Report to Stockholders. These unaudited third quarter 2011 financial statements should be read in conjunction with the 2010 Annual Report to Stockholders.

In June 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, “Comprehensive Income – Presentation of Comprehensive Income.” This guidance is intended to increase the prominence of other comprehensive income in financial statements. The current option that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The main provisions of the guidance provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements:

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1. Application of the highest and best use and valuation premise is only relevant when measuring the fair value of nonfinancial assets (does not apply to financial assets and liabilities).
2. Aligning the fair value measurement of instruments classified within an entity’s shareholders’ equity with the guidance for liabilities. As a result, an entity should measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets.
3. Clarifying that a reporting entity should disclose quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy.
4. An exception to the requirement for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than its gross exposure, to those risks.
5. Clarifying that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value. Premiums or discounts related to size as a characteristic of the entity’s holding (that is, a blockage factor) instead of as a characteristic of the asset or liability (for example, a control premium), are not permitted. A fair value measurement that is not a Level 1 measurement may include premiums or discounts other than blockage factors when market participants would incorporate the premium or discount into the measurement at the level of the unit of account specified in other guidance.

6. Expansion of the disclosures about fair value measurements. The most significant change will require entities, for their recurring Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures are required about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed.

The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted.

In January 2011, the FASB issued guidance entitled, “Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings.” This guidance temporarily delayed the effective date of the disclosures about troubled debt restructurings required by the guidance previously issued on “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.” The effective date of the new disclosures about troubled debt restructurings (TDR) coincides with the guidance for determining what constitutes a TDR as described below.

In April 2011, the FASB issued its guidance entitled, “A Creditor’s Determination of Whether a Restructuring is a Troubled Debt Restructuring,” which provides for clarification on whether a restructuring constitutes a TDR. In evaluating whether a restructuring is a TDR, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. For nonpublic entities, the guidance is effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The association is currently evaluating the impact of adoption of this Standard on the financial condition or results of operations. The adoption will result in additional disclosures.

In July 2010, the FASB issued guidance on “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Loan Losses,” which is intended to provide additional information to assist financial statement users in assessing an entity’s credit risk exposures and evaluating the adequacy of the allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis (by portfolio segment and class of financing receivable) including among others, a rollforward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables by class, the nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this Standard did not impact the Association’s financial condition or results of operations, but did result in additional disclosures.

In January 2010, the FASB issued guidance on “Fair Value Measurements and Disclosures,” which is to improve disclosures about fair value measurement by increasing transparency in financial reporting. The changes will provide a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurement. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this Standard did not impact the Association’s financial condition and results of operations but did result 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 September 30, 2011, are not necessarily indicative of the results to be expected for the year ended December 31, 2011. Certain amounts in the prior period’s financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	September 30, 2011 Amount	December 31, 2010 Amount
Production agriculture:		
Real estate mortgage	\$ 424,808,718	\$ 429,866,778
Production and intermediate term	8,464,219	8,765,589
Agribusiness:		
Processing and marketing	2,722,064	3,591,563
Farm-related business	5,528,938	6,273,058
Rural residential real estate	8,619,414	8,815,416
International	61,830	62,846
Total	\$ 450,205,183	\$ 457,375,250

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 September 30, 2011:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
	Real estate mortgage	\$ 9,696,187	\$ 5,639,106	\$ -	\$ 2,692,310	\$ 9,696,187
Production and intermediate term	758,449	-	-	-	758,449	-
Agribusiness	2,688,554	-	-	-	2,688,554	-
Total	\$ 13,143,190	\$ 5,639,106	\$ -	\$ 2,692,310	\$ -	\$ 8,331,416

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

	September 30, 2011	December 31, 2010
Nonaccrual loans:		
Real estate mortgage	\$ 2,401,457	\$ 3,648,189
Agribusiness	1,170,778	1,222,669
Total nonaccrual loans	3,572,235	4,870,858
Accruing restructured loans:		
Real estate mortgage	1,248,847	-
Total accruing restructured loans	1,248,847	-
Accruing loans 90 days or more past due:		
Real estate mortgage	208,103	148,284
Rural residential real estate	-	105,470
Total accruing loans 90 days or more	208,103	253,753
Total nonperforming loans	5,029,185	5,124,611
Other property owned	807,977	982,318
Total nonperforming assets	\$ 5,837,162	\$ 6,106,929

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:

	September 30, 2011	December 31, 2010
Real estate mortgage		
Acceptable	97.5 %	97.6 %
OAEM	0.7	0.9
Substandard/doubtful	1.8	1.6
	<u>100.0</u>	<u>100.1</u>
Production and intermediate term		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Agribusiness		
Acceptable	67.9	71.5
OAEM	-	-
Substandard/doubtful	32.1	28.5
	<u>100.0</u>	<u>100.0</u>
Rural residential real estate		
Acceptable	92.6	97.5
OAEM	5.7	1.3
Substandard/doubtful	1.7	1.2
	<u>100.0</u>	<u>100.0</u>
International		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Total Loans		
Acceptable	96.9	96.9
OAEM	0.8	0.9
Substandard/doubtful	2.3	2.2
	<u>100.0 %</u>	<u>100.0 %</u>

The following table provides an age analysis of past due loans (including accrued interest) as of September 30, 2011:

	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	>90 Days and Accruing
Real estate mortgage	\$ 1,915,464	\$ 1,928,709	\$ 3,844,173	\$ 430,030,856	\$ 433,875,029	\$ 208,103
Production and intermediate term	-	-	-	8,631,675	8,631,675	-
Processing and marketing	-	1,157,682	1,157,682	1,565,971	2,723,653	-
Farm-related business	-	-	-	5,661,607	5,661,607	-
Rural residential real estate	160,536	-	160,536	8,545,962	8,706,498	-
International	-	-	-	61,830	61,830	-
Total	<u>\$ 2,076,000</u>	<u>\$ 3,086,391</u>	<u>\$ 5,162,391</u>	<u>\$ 454,497,902</u>	<u>\$ 459,660,293</u>	<u>\$ 208,103</u>

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.

Additional impaired loan information is as follows:

	At September 30, 2011			For the Three Months Ended September 30, 2011		For the Nine Months Ended September 30, 2011	
	Recorded	Unpaid	Related	Average	Interest	Average	Interest
	Investment	Principal	Allowance	Impaired	Income	Impaired	Income
		Balance ^a		Loans	Recognized	Loans	Recognized
Impaired loans with a related allowance for credit losses:							
Real estate mortgage	\$ 1,720,606	\$ 2,795,759	\$ 666,282	\$ 1,753,116	\$ -	\$ 1,783,612	\$ -
Total	\$ 1,720,606	\$ 2,795,759	\$ 666,282	\$ 1,753,116	\$ -	\$ 1,783,612	\$ -
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	\$ 882,137	\$ 882,139	\$ -	\$ 892,116	\$ 2,751	\$ 735,817	\$ 16,799
Processing and marketing	1,157,682	1,157,682	-	1,167,738	-	1,184,113	-
Farm-related business	13,096	13,096	-	13,345	-	13,807	-
Total	\$ 2,052,915	\$ 2,052,917	\$ -	\$ 2,073,199	\$ 2,751	\$ 1,933,737	\$ 16,799
Total impaired loans:							
Real estate mortgage	\$ 2,602,743	\$ 3,677,898	\$ 666,282	\$ 2,645,232	\$ 2,751	\$ 2,519,429	\$ 16,799
Processing and marketing	1,157,682	1,157,682	-	1,167,738	-	1,184,113	-
Farm-related business	13,096	13,096	-	13,345	-	13,807	-
Total	\$ 3,773,521	\$ 4,848,676	\$ 666,282	\$ 3,826,315	\$ 2,751	\$ 3,717,349	\$ 16,799

	At December 31, 2010			For the Year Ended December 31, 2010	
	Recorded	Unpaid	Related	Average	Interest
	Investment	Principal	Allowance	Impaired	Income
		Balance ^a		Loans	Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	\$ 1,832,282	\$ 2,912,961	\$ -	\$ 4,175,919	\$ 70,694
Total	\$ 1,832,282	\$ 2,912,961	\$ -	\$ 4,175,919	\$ 70,694
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	\$ 2,051,392	\$ 2,051,392	\$ -	\$ 4,175,919	\$ 70,694
Processing and marketing	1,208,199	1,208,199	461,288	957,981	585
Farm-related business	14,470	14,470	-	10,048	328
Total	\$ 3,274,061	\$ 3,274,061	\$ 461,288	\$ 5,143,948	\$ 71,607
Total impaired loans:					
Real estate mortgage	\$ 3,883,674	\$ 4,964,353	\$ -	\$ 8,351,838	\$ 141,388
Processing and marketing	1,208,199	1,208,199	461,288	957,981	585
Farm-related business	14,470	14,470	-	10,048	328
Total	\$ 5,106,343	\$ 6,187,022	\$ 461,288	\$ 9,319,867	\$ 142,301

^a Unpaid principal balance represents the recorded principal balance of the loan.

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	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:						
Balance at						
December 31, 2010	\$ 516,518	\$ 2,015	\$ 18,040	\$ 7,214	\$ -	\$ 543,787
Charge-offs	(26,306)	-	-	-	-	(26,306)
Provision/(reversal) for loan losses	489,755	1,457	(17,744)	1,772	-	475,240
Balance at						
September 30, 2011	\$ 979,967	\$ 3,472	\$ 296	\$ 8,986	\$ -	\$ 992,721
Ending Balance:						
individually evaluated for impairment	\$ 666,282	\$ -	\$ -	\$ -	\$ -	\$ 666,282
Ending Balance:						
collectively evaluated for impairment	\$ 313,685	\$ 3,472	\$ 296	\$ 8,986	\$ -	\$ 326,439
Ending Balance: loans						
acquired with deteriorated credit quality	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recorded Investments in Loans Outstanding:						
Ending Balance at						
September 30, 2011	\$ 424,808,718	\$ 8,464,219	\$ 8,251,002	\$ 8,619,414	\$ 61,830	\$ 450,205,183
Ending Balance for loans						
individually evaluated for impairment	\$ 1,720,606	\$ -	\$ -	\$ -	\$ -	\$ 1,720,606
Ending Balance for loans						
collectively evaluated for impairment	\$ 423,088,112	\$ 8,464,219	\$ 8,251,002	\$ 8,619,414	\$ 61,830	\$ 448,484,577
Ending Balance for loans						
acquired with deteriorated credit quality	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NOTE 3 — CAPITAL MARKETS:

Until the second quarter of 2007, the Association participated in the Capital Markets of the South (CMS), a venture created for the purpose of expanding the participants' lending opportunities. Created in 2003, the CMS group was comprised of the Association, Alabama Farm Credit, ACA, Alabama Ag Credit, ACA, Southern Ag Credit, ACA, and Louisiana Land Bank, ACA. Existing CMS loans will continue to be serviced as in the past, with revenue and expenses continuing to be shared accordingly, as noted below, until such time as all of the loans are fully matured or paid off.

Pursuant to the terms of the alliance, each of the five CMS participating associations will continue to generally share equally in the costs of operating the venture. The Association's pro-rata share of income from CMS operations are recorded in the statement of income in their respective line items.

As of September 31, 2011 and 2010, the Association had CMS-related loan volume outstanding of \$8,039,439 and \$15,739,466 respectively. The Association has no remaining commitments to lend additional funds on CMS loans.

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:

Mississippi Land Bank, 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 nine months ended September 30, 2011, the association did not 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 nine months ended September 30, 2011, and 2010 the Association carried a deferred tax asset of \$243,545 and \$80,630 respectively. A full valuation allowance is recorded against the asset.

The subsidiary, Mississippi Land Bank, 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 2010 Annual Report to Stockholders for a more complete description.

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

<u>September 30, 2011</u>	<u>Fair Value Measurement Using</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:			
Loans *	\$ -	\$ -	\$ 3,760,425
Other property owned	-	-	807,977
<u>December 31, 2010</u>	<u>Fair Value Measurement Using</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:			
Loans *	\$ -	\$ -	\$ 4,663,323
Other property owned	-	-	982,318

*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 2010 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 Associations' assets and liabilities. For a more complete description, see Notes to the 2010 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 non-pension other postretirement employee benefits for the months ended September 30,:

	Other Benefits	
	2011	2010
Service cost	\$ 17,088	\$ 18,108
Interest cost	53,544	47,697
Amortization of prior service costs	(30,990)	(31,814)
Amortizations of net (gain) loss	7,938	-
Net periodic benefit cost	<u>\$ 47,580</u>	<u>\$ 33,991</u>

The Association anticipates contributing an additional \$15,860 to fund its defined benefit pension plan in 2011 for a total of \$63,440.

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 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 10, 2011, which is the date the financial statements were issued.