Yankee Farm Credit, ACA

289 Hurricane Lane, Suite 102
P.O. Box 467
Williston, Vermont 05495
802/879-4700 FAX 802/878-0360
www.yankeeaca.com

CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED MARCH 31, 2010

May 6, 2010

Dear Shareholder:

Enclosed are the Association's consolidated financial statements for the first quarter of 2010. These statements should be read in conjunction with the 2009 Annual Report to Shareholders.

The purpose of these financial statements is to provide timely financial information about your Association's financial condition and results of operations. Should you have any questions about these statements, please call us.

As a shareholder, your investment in the Association is materially affected by the financial condition and results of operations of CoBank, ACB. CoBank's annual and quarterly reports are available at no charge from any of our offices. Our office locations are listed at the end of this report.

The undersigned certify that they have reviewed this report and it has been prepared in accordance with all statutory and regulatory requirements and that the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief. The financial statements, in the opinion of management, fairly present the financial condition of the institution except as noted.

Sincerely,

Paul E. Gingue
Chairperson

George S. Putnam
President and CEO

Pamela A. Simek
Controller

YANKEE FARM CREDIT, ACA

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

First Quarter Ended March 31, 2010
(Dollars in thousands, except as noted)
(Unaudited)

Results of Operations: First Quarter

Net income for the first quarter of 2010 was $2.383 million, up $952 thousand (67%) from net income of $1.431 million in the first quarter of 2009.

Net interest income before the provision for loan losses was up $365 thousand (15%) in 2010 as compared to 2009. The following table shows the components of this increase:

Changes in net interest income due to:	
Changes in volumes of accrual loans & debt	$ 181
Changes in interest rates on accrual loans & debt	142
Changes in interest income on nonaccrual loans	3
Changes in interest rate swap income	49
Other adjustments	(10)
Total change in net interest income	$ 365

Changes in accrual volumes and rates are shown in the following table:

	Three Months Ended March 31,	
	2010	2009
Average accrual loan volume	$ 347,724	$ 324,192
Average interest rate on loans	4.11%	4.14%
Average interest rate spread	2.99%	2.77%

Average loan volume was higher in 2010, and this contributed an increase of $181 thousand to the total change in net interest income, as shown in the first table above. The average interest rate spread was higher in 2010, while the general level of interest rates was lower. A lower level of interest rates generally contributes to lower net interest income, all other factors being equal. As shown in the first table above, the net effect of changes in interest rates on net interest income was an increase of $142 thousand and was primarily due to the higher average interest rate spread.

There was a provision for loan losses of $31 thousand in the first quarter of 2010, as compared to a provision for loan losses of $213 thousand in the first quarter of 2009.

Other income increased by $415 thousand (59%) in 2010 as compared to 2009. Loan fees and other income increased by $394 thousand. This increase resulted primarily from $390 thousand in refunds from the Farm Credit System Insurance Corporation (FCSIC) related to the Farm Credit Insurance Fund (Fund). The fund is required by statute to maintain a secure base amount equal to 2% of the System's insured debt. When the Fund exceeds that base (as it did in 2009), FCSIC may refund excess amounts.

Other expense increased by $10 thousand (1%) in 2010 as compared to 2009. Salaries and employee benefits increased by $50 thousand (6%). This was offset by the Farm Credit Insurance Fund premium which decreased by $71 thousand (49%).

Loan Portfolio and Financial Condition

Loans originated by the Association decreased by $12.8 million (3%) from year-end. Loans purchased increased by $0.1 million (1%) from year-end, and participations sold decreased by $5.0 million (18%). Loans held by the Association decreased by $7.7 million (2%) from year-end.

Management's Discussion & Analysis (cont.)

The loan portfolio continues to be concentrated in the dairy industry. Farm prices for dairy products increased in the first quarter of 2010. Federal Order 1 prices for the first quarter of 2010 averaged $16.22/cwt, up $2.22/cwt (16%) from the fourth quarter of 2009, and up $2.57/cwt (19%) from the first quarter of 2009. (Prices quoted do not include the effect of the Milk Income Loss Contract (MILC or MILCX) program, which began December 1, 2001.) The change in prices received for dairy products has been accompanied by a decrease in the cost of farm inputs, particularly purchased feed. The composite Feed Index published by the USDA was 177 for the first quarter of 2010, down 2% from the fourth quarter of 2009, and down 5% from the first quarter of 2009. (Feed Index = 100 for 1990-1992)

Loan quality worsened slightly but still remained strong through the first quarter of 2010. Loans graded Substandard or lower were 5.1% of total loans at March 31, 2010, up 0.1% from year-end. High risk assets comprised 1.2% of loans and related assets at March 31, 2010, up slightly from year-end. (High risk assets include nonaccrual loans, accrual restructured loans, loans delinquent 90 days or more but not yet classified as nonaccrual, and other property owned.) Repayment performance remained satisfactory. Accrual loans delinquent 30 days or more were 0.3% at March 31, 2010, down 0.1% from year-end. The 12-month rolling average for this statistic was 0.6% at March 31, 2010, unchanged from year-end. There were no charge-offs or recoveries in the first quarter of either 2010 or 2009.

As discussed in the 2009 Annual Report to Shareholders, the Association declared a patronage distribution of $2.573 million based on 2009 earnings, 100% in cash. This was paid on March 25, 2010.

Members' equity as a percentage of assets was 19.7% at March 31, 2010 as compared to 18.9% at year-end. The Association's permanent capital ratio was 17.3% at March 31, 2010, down 0.1% from year-end.

These financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

YANKEE FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31, 2010	December 31, 2009
	(in thousands)	
ASSETS		
Loans originated by the Association	$ 357,484	$ 370,285
Plus loans purchased	13,294	13,195
Less participations sold	22,745	27,738
Loans held by the Association	348,033	355,742
Less allowance for loan losses	3,600	3,569
Net loans	344,433	352,173
Cash	9	77
Accrued interest receivable	935	664
Patronage refunds due from CoBank, ACB	357	1,607
Investment in CoBank, ACB	12,937	12,810
Mission related investment	456	456
Premises and equipment, less accumulated depreciation	981	1,025
Other assets	2,304	1,757
Total assets	$ 362,412	$ 370,569
LIABILITIES		
Note payable to CoBank, ACB	$ 288,464	$ 296,058
Patronage distribution payable	752	2,573
Other liabilities	1,679	2,020
Total liabilities	290,895	300,651
MEMBERS' EQUITY		
Capital stock and participation certificates	1,001	992
Unallocated surplus	71,735	70,104
Accumulated other comprehensive income	(1,219)	(1,178)
Total members' equity	71,517	69,918
Total liabilities and members' equity	$ 362,412	$ 370,569

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

YANKEE FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(in thousands)	
INTEREST INCOME		
Loans	$ 3,526	$ 3,317
Total interest income	3,526	3,317
INTEREST EXPENSE		
Note payable to CoBank, ACB	672	828
Total interest expense	672	828
Net interest income	2,854	2,489
Provision for loan losses	31	213
Net interest income after provision for loan losses	2,823	2,276
OTHER INCOME		
Patronage refunds from CoBank, ACB	359	387
Fees for financial services	340	291
Loan fees and other income	425	31
Total other income	1,124	709
OTHER EXPENSE		
Salaries and employee benefits	913	863
Occupancy and equipment	83	95
Farm Credit Insurance Fund premium	74	145
Fees paid to Farm Credit Financial Partners, Inc.	235	231
Other expenses	255	216
Total other expense	1,560	1,550
Income before income taxes	2,387	1,435
Provision for income taxes	4	4
Net income	$ 2,383	$ 1,431

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

YANKEE FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Unaudited)

	Capital Stock and Participation Certificates	Surplus Allocated	Surplus Unallocated	Accumulated Other Comprehensive Income	Total Members' Equity
		(in thousands)			
Balance at December 31, 2008	$ 939	$ -	$ 67,613	$ (1,070)	$ 67,482
Comprehensive income					
Net income	-	-	1,431	-	1,431
Other comprehensive income					
Net unrealized gains (losses) on interest rate swaps	-	-	-	(31)	(31)
Total comprehensive income	-	-	1,431	(31)	1,400
Capital stock/PCs issued	49	-	-	-	49
Capital stock/PCs retired	(29)	-	-	-	(29)
Patronage distribution accrued					
Cash	-	-	(703)	-	(703)
Balance at March 31, 2009	$ 959	$ -	$ 68,341	$ (1,101)	$ 68,199
Balance at December 31, 2009	$ 992	$ -	$ 70,104	$ (1,178)	$ 69,918
Comprehensive income					
Net income	-	-	2,383	-	2,383
Other comprehensive income					
Net unrealized gains (losses) on interest rate swaps	-	-	-	(40)	(40)
Total comprehensive income	-	-	2,383	(40)	2,343
Capital stock/PCs issued	29	-	-	-	29
Capital stock/PCs retired	(20)	-	-	-	(20)
Patronage distribution accrued					
Cash	-	-	(752)	-	(752)
Adjustment for rounding	-	-	-	(1)	(1)
Balance at March 31, 2010	$ 1,001	$ -	$ 71,735	$ (1,219)	$ 71,517

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

YANKEE FARM CREDIT, ACA

Notes To Consolidated Financial Statements

First Quarter Ended March 31, 2010
(Dollars in thousands, except as noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Yankee Farm Credit, ACA (the Association) is a member-owned cooperative within the Farm Credit System. A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2009 are contained in the 2009 Annual Report to Shareholders. These unaudited first quarter 2010 financial statements should be read in conjunction with the 2009 Annual Report to Shareholders.

Effective January 1, 2010 the Association adopted Financial Accounting Standards Board (FASB) guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurements by increasing transparency in financial reporting. The guidance will provide for a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on the Association's financial condition and results of operations but resulted in additional disclosures.

In June 2009 the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by improving the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets.

This guidance is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date. Additionally, on and after the effective date, the concept of a qualifying special purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. If the evaluation on the effective date results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. The Association reviewed its loan participation agreements to ensure that participations would meet the requirements for sales treatment and not be required to be consolidated. The impact of adoption on January 1, 2010 was immaterial to the Association's financial condition and results of operations.

In June 2009 the FASB also issued guidance to improve financial reporting for those enterprises involved with variable interest entities, which amends previous guidance by requiring an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance.

This guidance is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Association does not have any variable interest or controlling interest in a variable interest entity, thus there was no impact of adoption of the guidance.

The accompanying 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 and prevailing practices within the banking industry. The results of operations for the three month period ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year.

NOTE 2 - ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	Three Months Ended March 31,	
	2010	2009
Balance at beginning of quarter	$ 3,569	$ 1,758
Provision for loan losses	31	213
Charge-offs	-	-
Recoveries	-	-
Balance at end of quarter	$ 3,600	$ 1,971

The following table presents information concerning impaired loans as of quarter-end. The Association defines impaired loans to be nonaccrual loans plus accrual restructured loans.

	Value at	
	March 31, 2010	December 31, 2009
Impaired loans with related allowance	$ 3,881	$ 3,599
Impaired loans with no related allowance	149	164
Total impaired loans	$ 4,030	$ 3,763
Allowance on impaired loans	$ 346	$ 335

The following table summarizes impaired loan information for the quarter ended March 31:

	Three Months Ended March 31,	
	2010	2009
Average impaired loans	$ 3,748	$ 3,461
Interest income recognized on impaired loans	9	6

NOTE 3 - CAPITAL

Please see the 2009 Annual Report to Shareholders, particularly Note 7 to the Financial Statements, for a description of the Association's capitalization policies. The Association's requirement for purchased equities (stock and participation certificates) is presently the legal minimum of 2.0% of the loan with a cap of $1 thousand.

The patronage distribution for 2009 was $2.573 million and was distributed 100% in cash on March 25, 2010. A patronage distribution program is also in effect for 2010. The amount of the patronage distribution for 2010 will depend on financial results for the year as a whole and is therefore not known with certainty at this time. However, management estimates that the patronage distribution attributable to the first quarter of 2010 is approximately $752 thousand. Management believes it is probable that the 2010 patronage distribution will be paid 100% in cash. Therefore, the accompanying financial statements show an interim accrual at the end of the first quarter of 2010 for patronage distribution payable of $752 thousand. The corresponding interim accrual at the end of the first quarter of 2009 for patronage distribution payable was $703 thousand (also 100% cash).

The Association's regulatory capital ratios were:

	Value At		
	March 31, 2010	December 31, 2009	Regulatory Minimum
Core surplus ratio	17.0%	16.9%	3.5%
Total surplus ratio	17.0%	17.1%	7.0%
Permanent capital ratio	17.3%	17.4%	7.0%

Additionally, the Association's internal permanent capital ratio goal for 2010 is 17.5%. The ratio at March 31, 2010, as indicated above, is not indicative of the full year.

NOTE 4 - INCOME TAXES

Please see the 2009 Annual Report to Shareholders, particularly Note 8 to the Financial Statements, for a description of the Association's deferred tax assets and liabilities and the corresponding valuation allowance. There were no significant changes in the composition or valuation of tax assets/liabilities during the first quarter of 2010.

NOTE 5 – FAIR VALUE MEASUREMENTS

Accounting 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. Please see the 2009 Annual Report to Shareholders, particularly Note 2L and Note 11 to the Financial Statements, for a more complete description.

Assets measured at a fair value on a recurring basis at March 31, 2010 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Interest Rate Swaps	$ -	$ 390	$ -
Total Assets	$ -	$ 390	$ -

Assets measured at a fair value on a recurring basis at December 31, 2009 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Interest Rate Swaps	$ -	$ 428	$ -
Total Assets	$ -	$ 428	$ -

Assets measured at a fair value on a non-recurring basis at March 31, 2010 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Nonaccrual loans	$ -	$ -	$ 3,770
Total Assets	$ -	$ -	$ 3,770

Assets measured at a fair value on a non-recurring basis at December 31, 2009 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Nonaccrual loans	$ -	$ -	$ 3,500
Total Assets	$ -	$ -	$ 3,500

There were no liabilities measured at fair value on a recurring or non-recurring basis at March 31, 2010.

As more fully discussed in Note 2L and Note 11 of the 2009 Annual Report to Shareholders, accounting 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.

Derivatives: The only derivatives held by the Association are our internal rate swaps, which meet the definition of Level 2 financial instruments. The derivative positions are valued using internally developed models that use as their basis readily observable market parameters such as benchmark interest rate curves, volatility and other inputs that are observable directly or indirectly in the marketplace.

Nonaccrual Loans: For certain loans evaluated as nonaccrual, the fair value is based upon the underlying collateral, since the loans were collateral dependent loans. These loans are generally classified as Level 3 assets.

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

The Association enters into derivative financial instruments known as “received fixed” interest rate swaps. The counterparty to the Association’s swaps is CoBank. Please see the 2009 Annual Report to Shareholders, particularly Note 2K and Note 15 to the Financial Statements, for a more complete description.

The following tables show the impact of these derivatives on the financial statements as of or for the quarter end:

	Value at	
	Mar 31, 2010	Dec 31, 2009
Balance sheet:		
Accrued interest receivable	$ 27	$ 26
Accrued interest payable (included in other liabilities)	-	-
Positive fair values (included in other assets)	390	428
Negative fair values (included in other liabilities)	-	-
Accumulated other comprehensive income	312	353

	Three Months Ended Mar 31,	
	2010	2009
Statement of income:		
(Decreased) increased interest expense	$ (130)	$ (81)
Other comprehensive income:		
Net unrealized gains (losses) on Interest rate swaps	$ (40)	$ (31)

NOTE 7 – Subsequent Events

The Association has evaluated subsequent events through May 6, 2010, which is the date the financial statements were available to be issued.

YANKEE FARM CREDIT, ACA
OFFICE LOCATIONS

Yankee Farm Credit, ACA
9784 Route 9
P.O. Box 507
Chazy, NY 12921
(800) 545-8374
(518) 846-7330

Yankee Farm Credit, ACA
1436 Exchange Street
P.O. Box 350
Middlebury, VT 05753
(800) 545-1169
(802) 388-2692

Yankee Farm Credit, ACA
41 Highland Avenue
P.O. Box 537
Newport, VT 05855
(800) 370-2738
(802) 334-8050

Yankee Farm Credit, ACA
130 Upper Welden Street
P.O. Box 240
St. Albans, VT 05478
(800) 545-1097
(802) 524-7800

Yankee Farm Credit, ACA
52 Farmvu Drive
P.O. Box 1009
White River Jct., VT 05001
(800) 370-3276
(802) 295-3670

Yankee Farm Credit, ACA
289 Hurricane Lane, Suite 102
P.O. Box 467
Williston, VT 05495
(800) 639-3053
(802) 879-4700

World Wide Web address: www.YankeeACA.com