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
SECOND QUARTER ENDED JUNE 30, 2010

August 4, 2010

Dear Shareholder:

Enclosed are the Association's consolidated financial statements for the second 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

Second Quarter Ended June 30, 2010
(Dollars in thousands, except as noted)
(Unaudited)

Results of Operations: Second Quarter

Net income for the second quarter of 2010 was $1.751 million, up $659 thousand from net income of $1.092 million in the second quarter of 2009.

There was a provision for loan losses of $58 thousand in the second quarter of 2010, as compared to a provision for loan losses of $524 thousand in the second quarter of 2009.

Net interest income before the provision for loan losses was up $203 thousand (8%) 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	$	171
Changes in interest rates on accrual loans & debt		70
Changes in interest income on nonaccrual loans		(28)
Changes in interest rate swap income		(4)
Other adjustments		(6)
Total change in net interest income	$	203

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Average accrual loan volume	$ 343,639	$ 321,780
Average interest rate on loans	4.08%	4.15%
Average interest rate spread	2.95%	2.84%

Average loan volume was higher in 2010, and this contributed an increase of $171 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 $70 thousand and was primarily due to the higher interest rate spread.

Other expense increased by $28 thousand (3%) in 2010 as compared to 2009. Salaries and employee benefits, a major component of other expense, increased by $80 thousand (9%). This was offset by a decrease of $124 thousand in the Farm Credit Insurance premium in 2010 as compared to 2009. The premium decrease was due to a reduction in the premium rate. This reduction was retroactively effective January 1, 2010.

Results of Operations: Year-to-Date

Net income through the second quarter of 2010 was $4.135 million, up $1.612 million (64%) from net income of $2.523 million through the second quarter of 2009.

There was a provision for loan losses of $89 thousand through the second quarter of 2010, as compared to a provision for loan losses of $738 thousand for the same period in 2009.

Net interest income before the provision for loan losses was up $568 thousand (11%) 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	$	350
Changes in interest rates on accrual loans & debt		218
Changes in interest income on nonaccrual loans		(25)
Changes in interest rate swap income		45
Other adjustments		(20)
Total change in net interest income	$	568

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

	Six Months Ended June 30, 2010		2009	
Average accrual loan volume	$	345,670	$	322,979
Average interest rate on loans		4.10%		4.15%
Average interest rate spread		2.97%		2.47%

Average loan volume was higher in 2010, contributing an increase of $350 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 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 $218 thousand and was primarily due to the higher interest rate spread.

Other income increased by $433 thousand (33%) in 2010 as compared to 2009. Loan fees and other income increased by $413. 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 $38 thousand (1%) in 2010 as compared to 2009. Salaries and employee benefits expense increased by $130 thousand (8%). The Farm Credit Insurance Fund premium decreased by $195 thousand (75%) in 2010 as compared to 2009, due to the change in premium rate as described in the Results of Operations: Second Quarter section above.

Loan Portfolio and Financial Condition

Loans originated by the Association decreased by $4.0 million (1%) from year-end. Loans purchased decreased by $0.4 million (3%) from year-end, and participations sold increased by $7.7 million (28%). The increase in participations sold is primarily the result of the implementation of the guidance on "Accounting for Transfers of Financial Assets." The adoption of the guidance began in the second quarter, and will continue through the remainder of 2010. Loans held by the Association decreased by $12.2 million (3%) from year-end.

The loan portfolio continues to be concentrated in the dairy industry. Farm prices for dairy products decreased in the second quarter of 2010. Federal Order 1 prices for the second quarter of 2010 averaged $15.52/cwt, down $0.70/cwt (4%) from the first quarter of 2010, but up $3.58/cwt (30%) from the second quarter of 2009. (Prices quoted do not include the effect of the Milk Income Loss Contract.) 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 172 for the second quarter of 2010, down 4% from the first quarter of 2010, and down 10% from the second quarter of 2009. (Feed Index = 100 for 1990-1992)

Loan quality worsened slightly but still remained strong through the second quarter of 2010. Loans graded Substandard or lower were 4.9% of total loans at June 30, 2010, 0.1% improved from year-end. High risk assets comprised 1.3% of loans and related assets at June 30, 2010, 0.2% higher than at 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 worsened slightly in the second quarter of 2010.

Management's Discussion & Analysis (cont.)

Accrual loans delinquent 30 days or more were 2.1% at June 30, 2010, up 1.7% from year-end. The 12-month rolling average for this statistic was 0.8% at June 30, 2010, up 0.2% from year-end. There were no charge-offs or recoveries in either the first two quarters of 2010 or the first two quarters of 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 20.2% at June 30, 2010 as compared to 18.9% at year-end. The Association's permanent capital ratio was 18.1% at June 30, 2010, up 0.7% 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)

	June 30, 2010	December 31, 2009
	(in thousands)	
ASSETS		
Loans originated by the Association	$ 366,308	$ 370,285
Plus loans purchased	12,756	13,195
Less participations sold	35,479	27,738
Loans held by the Association	343,585	355,742
Less allowance for loan losses	3,658	3,569
Net loans	339,927	352,173
Cash	447	77
Accrued interest receivable	840	664
Patronage refunds due from CoBank, ACB	713	1,607
Investment in CoBank, ACB	12,937	12,810
Mission related investment	455	456
Premises and equipment, less accumulated depreciation	1,088	1,025
Other assets	1,830	1,757
Total assets	$ 358,237	$ 370,569
LIABILITIES		
Note payable to CoBank, ACB	$ 283,129	$ 296,058
Patronage distribution payable	1,515	2,573
Other liabilities	1,206	2,020
Total liabilities	285,850	300,651
MEMBERS' EQUITY		
Capital stock and participation certificates	1,006	992
Unallocated surplus	72,723	70,104
Accumulated other comprehensive income	(1,342)	(1,178)
Total members' equity	72,387	69,918
Total liabilities and members' equity	$ 358,237	$ 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 June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(in thousands)			
INTEREST INCOME				
Loans	$ 3,494	$ 3,353	$ 7,020	$ 6,670
Total interest income	3,494	3,353	7,020	6,670
INTEREST EXPENSE				
Note payable to CoBank, ACB	663	725	1,335	1,553
Total interest expense	663	725	1,335	1,553
Net interest income	2,831	2,628	5,685	5,117
Provision for loan losses	58	524	89	738
Net interest income after provision for loan losses	2,773	2,104	5,596	4,379
OTHER INCOME				
Patronage refunds from CoBank, ACB	356	355	715	742
Fees for financial services	209	210	548	501
Loan fees and other income	61	43	487	74
Total other income	626	608	1,750	1,317
OTHER EXPENSE				
Salaries and employee benefits	933	853	1,846	1,716
Occupancy and equipment	66	71	149	165
Farm Credit Insurance Fund premium	(10)	114	64	259
Fees paid to Farm Credit Financial Partners, Inc.	235	231	470	461
Other expenses	420	347	674	564
Total other expense	1,644	1,616	3,203	3,165
Income before income taxes	1,755	1,096	4,143	2,531
Provision for income taxes	4	4	8	8
Net income	$ 1,751	$ 1,092	$ 4,135	$ 2,523

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		Accumulated Other Comprehensive Income	Total Members' Equity
		Allocated	Unallocated		
			(in thousands)		
Balance at December 31, 2008	$ 939	$ -	$ 67,613	$ (1,070)	$ 67,482
Comprehensive income					
Net income	-	-	2,523	-	2,523
Other comprehensive income					
Net unrealized gains (losses) on interest rate swaps	-	-	-	(170)	(170)
Total comprehensive income	-	-	2,523	(170)	2,353
Capital stock/PCs issued	85	-	-	-	85
Capital stock/PCs retired	(59)	-	-	-	(59)
Patronage distribution accrued					
Cash	-	-	(1,401)	-	(1,401)
Balance at June 30, 2009	$ 965	$ -	$ 68,735	$ (1,240)	$ 68,460
Balance at December 31, 2009	$ 992	$ -	$ 70,104	$ (1,178)	$ 69,918
Comprehensive income					
Net income	-	-	4,135	-	4,135
Other comprehensive income					
Net unrealized gains (losses) on interest rate swaps	-	-	-	(164)	(164)
Total comprehensive income	-	-	4,135	(164)	3,971
Capital stock/PCs issued	57	-	-	-	57
Capital stock/PCs retired	(44)	-	-	-	(44)
Patronage distribution accrued					
Cash	-	-	(1,515)	-	(1,515)
Adjustment for rounding	1	-	(1)	-	-
Balance at June 30, 2010	$ 1,006	$ -	$ 72,723	$ (1,342)	$ 72,387

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

YANKEE FARM CREDIT, ACA

Notes To Consolidated Financial Statements

Second Quarter Ended June 30, 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 second 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 was effective January 1, 2010. This Statement must be applied to transfers occurring on or after the effective date. Additionally, 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 in accordance with the applicable consolidation guidance. If the evaluation 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 on the Association's financial condition and results of operations are discussed in the section entitled Loan Portfolio and Financial Condition found in the Management's Discussion and Analysis of this report.

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 was effective January 1, 2010. 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 to generally accepted accounting principles and prevailing practices within the banking industry. The results of operations for the six month period ended June 30, 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 June 30, 2010	2009
Balance at beginning of quarter	$ 3,600	$ 1,971
Provision for loan losses	58	524
Charge-offs	-	-
Recoveries	-	-
Rounding adjustment	-	1
Balance at end of quarter	$ 3,658	$ 2,496

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 June 30, 2010	December 31, 2009
Impaired loans with related allowance	$ 4,218	$ 3,599
Impaired loans with no related allowance	143	164
Total impaired loans	$ 4,361	$ 3,763
Allowance on impaired loans	$ 356	$ 335

The following table summarizes impaired loan information for the quarter ended June 30:

	Three Months Ended June 30, 2010	2009
Average impaired loans	$ 4,006	$ 4,369
Interest income recognized on impaired loans	6	34

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 two quarters of 2010 is approximately $1.515 million. 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 second quarter of 2010 for patronage distribution payable of $1.515 million. The corresponding interim accrual at the end of the first quarter of 2009 for patronage distribution payable was $1.401 million (also 100% cash).

The Association's regulatory capital ratios were:

	Value At June 30, 2010	December 31, 2009	Regulatory Minimum
Core surplus ratio	17.8%	16.9%	3.5%
Total surplus ratio	17.8%	17.1%	7.0%
Permanent capital ratio	18.1%	17.4%	7.0%

Additionally, the Association's internal permanent capital ratio goal for 2010 is 17.5%. The ratio at June 30, 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 two quarters 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 June 30, 2010 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Interest Rate Swaps	$ -	$ 296	$ -
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 June 30, 2010 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Nonaccrual loans	$ -	$ -	$ 4,103
Total Assets	$ -	$ -	$ 4,103

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 June 30, 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 are 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	
	Jun 30, 2010	Dec 31, 2009
Balance sheet:		
Accrued interest receivable	$ 16	$ 26
Accrued interest payable (included in other liabilities)	-	-
Positive fair values (included in other assets)	296	428
Negative fair values (included in other liabilities)	-	-
Accumulated other comprehensive income	189	353

	Three Months Ended Jun 30,	
	2010	2009
Statement of income:		
(Decreased) increased interest expense	$ (144)	$ 49
Other comprehensive income:		
Net unrealized gains (losses) on Interest rate swaps	$ (124)	$ (239)

NOTE 7 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 4, 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