



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, 2012**

May 7, 2012

Dear Shareholder:

Enclosed are the Association's consolidated financial statements for the first quarter of 2012. These statements should be read in conjunction with the 2011 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.

Copies of the Association's annual and quarterly reports are available to members at no charge from any of our local offices or by accessing the Association's website at www.yankeeaca.com. The Association's annual reports are available 75 days after year end, and quarterly reports are available 40 days after the end of each calendar quarter. 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,

Rocklyn A. Giroux
Chairperson, Board of Directors

George S. Putnam
President and CEO

Rocki-Lee DeWitt
Chairperson, Audit Committee

Greg M. LeDuc
Chief Financial Officer

YANKEE FARM CREDIT, ACA

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

First Quarter Ended March 31, 2012
(Dollars in thousands, except as noted)
(Unaudited)

Results of Operations: First Quarter

Net income for the first quarter of 2012 was \$2.063 million, up \$66 thousand (3%) from net income of \$1.997 million in the first quarter of 2011.

Net interest income before the provision for loan losses was up \$61 thousand (2%) in 2012 as compared to 2011. The following table shows the components of this increase:

<u>Changes in net interest income due to:</u>	
Changes in volumes of accrual loans & debt	\$ 77
Changes in interest rates on accrual loans & debt	73
Changes in interest income on nonaccrual loans	(43)
Changes in interest rate swap income	(52)
Other adjustments	6
Total change in net interest income	<u>\$ 61</u>

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

	Three Months Ended March 31,	
	2012	2011
Average accrual loan volume	\$ 332,847	\$ 326,298
Average interest rate on loans	4.27%	4.33%
Average interest rate spread	3.42%	3.32%

Average loan volume was higher in 2012, and this contributed an increase of \$77 thousand to the total change in net interest income, as shown in the first table above. The average interest rate spread was also higher in 2012 which contributed to an increase of \$73 thousand in net interest income, as shown in the first table above.

There was a reversal of the provision for credit losses of \$76 thousand in the first quarter of 2012, as compared to no provision for credit losses in the first quarter of 2011.

Other expense increased by \$88 thousand (5%) in 2012 as compared to 2011. Salaries and employee benefits increased by \$84 thousand (9%).

Loan Portfolio and Financial Condition

Loans originated by the Association decreased by \$7.2 million (2%) from year-end. Loans purchased increased by \$1.4 million (13%) from year-end, and participations sold decreased by \$3.2 million (6%). Loans held by the Association decreased by \$2.6 million (1%) from year-end.

The loan portfolio continues to be concentrated in the dairy industry. Farm prices for dairy products decreased in the first quarter of 2012. Federal Order 1 prices for the first quarter of 2012 averaged \$18.67/cwt, down \$2.29/cwt (11%) from the fourth quarter of 2011, but up \$1.11/cwt (6%) from the first quarter of 2011. (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 slight increase in the cost of farm inputs, particularly purchased feed. The composite Feed Index published by the USDA was 224 for the first quarter of 2012, up less than 1 % from the fourth quarter of 2011, but up 7% from the first quarter of 2011. (Feed Index = 100 for 1990-1992)

Loan quality improved slightly and remained strong through the first quarter of 2012. Loans graded Substandard or lower were 4.7% of total loans at March 31, 2012, 0.2% improved from year-end. High risk assets comprised 1.6% of loans and related assets at March 31, 2012, 0.3% improved 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

Management's Discussion & Analysis (cont.)

property owned.) Repayment performance remained satisfactory. Loans (both accrual and nonaccrual) delinquent 30 days or more were 1.0% at March 31, 2012, down 0.4% from year-end. The 12-month rolling average for this statistic was 1.5% at March 31, 2012,, up 0.1% from year-end. There were no charge-offs, but recoveries of \$6 thousand in the first quarter of 2012. There were no charge-offs or recoveries in the first quarter of 2011.

As discussed in the 2011 Annual Report to Shareholders, the Association declared a patronage distribution of \$3.664 million based on 2011 earnings, 100% in cash. This was paid on March 22, 2012.

Members' equity as a percentage of assets was 21.9% at March 31, 2012 as compared to 21.4% at year-end. The Association's permanent capital ratio was 20.7% at March 31, 2012, up 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, 2012	December 31, 2011
<u>ASSETS</u>		
Loans originated by the Association	\$ 374,568	\$ 381,731
Plus loans purchased	12,172	10,803
Less participations sold	49,343	52,530
Loans held by the Association	337,397	340,004
Less allowance for loan losses	4,820	4,884
Net loans	332,577	335,120
Cash	662	1,102
Accrued interest receivable	915	861
Patronage refunds due from CoBank, ACB	408	1,639
Investment in CoBank, ACB	13,456	13,300
Mission related investment	716	696
Premises and equipment, less accumulated depreciation	1,051	1,099
Other assets	1,438	1,240
Total assets	\$ 351,223	\$ 355,057
<u>LIABILITIES</u>		
Note payable to CoBank, ACB	\$ 271,663	\$ 273,562
Patronage distribution payable	848	3,664
Other liabilities	1,690	2,015
Total liabilities	274,201	279,241
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	994	993
Unallocated surplus	78,013	76,798
Accumulated other comprehensive income	(1,985)	(1,975)
Total members' equity	77,022	75,816
Total liabilities and members' equity	\$ 351,223	\$ 355,057

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,	
	2012	2011
	(in thousands)	
<u>INTEREST INCOME</u>		
Loans	\$ 3,537	\$ 3,528
Total interest income	<u>3,537</u>	<u>3,528</u>
<u>INTEREST EXPENSE</u>		
Note payable to CoBank, ACB	556	608
Total interest expense	<u>556</u>	<u>608</u>
Net interest income	2,981	2,920
Provision for credit losses	(76)	-
Net interest income after provision for loan losses	<u>3,057</u>	<u>2,920</u>
<u>OTHER INCOME</u>		
Patronage refunds from CoBank, ACB	412	372
Fees for financial services	290	313
Loan fees and other income	14	14
Total other income	<u>716</u>	<u>699</u>
<u>OTHER EXPENSE</u>		
Salaries and employee benefits	1,056	972
Occupancy and equipment	89	70
Farm Credit Insurance Fund premium	30	39
Fees paid to Farm Credit Financial Partners, Inc.	238	239
Other expenses	293	298
Total other expense	<u>1,706</u>	<u>1,618</u>
Income before income taxes	2,067	2,001
Provision for income taxes	4	4
Net income	<u>\$ 2,063</u>	<u>\$ 1,997</u>
<u>OTHER COMPREHENSIVE (LOSS) INCOME</u>		
OCI related to swaps	(10)	(58)
Comprehensive income	<u>\$ 2,053</u>	<u>\$ 1,939</u>

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, 2010	\$ 1,005	\$ -	\$ 73,427	\$ (1,603)	\$ 72,829
Comprehensive income					
Net income	-	-	1,997	-	1,997
Other comprehensive income					
Net unrealized gains (losses) on interest rate swaps	-	-	-	(58)	(58)
Change in minimum pension liability	-	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>1,997</u>	<u>(58)</u>	<u>1,939</u>
Capital stock/PCs issued	28	-	-	-	28
Capital stock/PCs retired	(26)	-	-	-	(26)
Patronage distribution accrued					
Cash	-	-	(823)	-	(823)
Balance at March 31, 2011	<u>\$ 1,007</u>	<u>\$ -</u>	<u>\$ 74,601</u>	<u>\$ (1,661)</u>	<u>\$ 73,947</u>
Balance at December 31, 2011	\$ 993	\$ -	\$ 76,798	\$ (1,975)	\$ 75,816
Comprehensive income					
Net income	-	-	2,063	-	2,063
Other comprehensive income					
Net unrealized gains (losses) on interest rate swaps	-	-	-	(10)	(10)
Change in minimum pension liability	-	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>2,063</u>	<u>(10)</u>	<u>2,053</u>
Capital stock/PCs issued	40	-	-	-	40
Capital stock/PCs retired	(39)	-	-	-	(39)
Patronage distribution accrued					
Cash	-	-	(848)	-	(848)
Adjustment for rounding	-	-	-	-	-
Balance at March 31, 2012	<u>\$ 994</u>	<u>\$ -</u>	<u>\$ 78,013</u>	<u>\$ (1,985)</u>	<u>\$ 77,022</u>

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, 2012

(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, 2011 are contained in the 2011 Annual Report to Shareholders. These unaudited first quarter 2012 financial statements should be read in conjunction with the 2011 Annual Report to Shareholders.

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Balance Sheet – Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance will not impact the financial condition or results of operations, but will result in additional disclosures.

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Compensation – Retirement Benefits – Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to a multiemployer pension plan, which should help financial statement users better understand the financial health of significant plans that the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer, and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2012 for non-public entities. The amendments should be applied retrospectively for all prior periods presented. The adoption will not impact the Association's financial condition or results of operation.

In June 2011, the 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 did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income

In December 2011, the FASB issued guidance to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the statement. All other requirements in the guidance for comprehensive income are required to be adopted as set forth in the June 2011 guidance. The deferral is effective at the same time the new standard on comprehensive income is adopted.

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, as more fully outlined in the 2011 Annual Report to Shareholders. The amendments are to be applied prospectively. The amendments were effective beginning with the first quarter of 2012 and are applied prospectively.

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 three month period ended March 31, 2012 are not necessarily indicative of the results to be expected for the full year.

NOTE 2 –LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

	Value at	
	March 31, 2012	December 31, 2011
Long-term farm mortgage	\$ 129,914	\$ 129,425
Country home	1,522	1,567
Farm related business	46,045	41,553
Production and intermediate term	159,916	167,459
Total loans	<u>\$ 337,397</u>	<u>\$ 340,004</u>

The Association purchases and sells participations interest with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. All of the Association's loan purchases and sales are with other Farm Credit institutions. The following table presents information regarding the balances of participations purchased and sold at March 31, 2012:

	Participations Purchased	Participations Sold
Long-term farm mortgage	\$ 1,017	\$ 5,275
Farm related business	10,749	16,794
Production and intermediate term	406	27,274
Total loans	<u>\$ 12,172</u>	<u>\$ 49,343</u>

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

	Value at	
	March 31, 2012	December 31, 2011
<u>Nonaccrual Loans:</u>		
Long-term farm mortgage	\$ 3,228	\$ 3,502
Farm related business	737	762
Production and intermediate term	868	925
Total nonaccrual loans	<u>\$ 4,833</u>	<u>\$ 5,189</u>
<u>Accruing Restructured Loans:</u>		
Long-term farm mortgage	\$ 195	\$ 196
Total accruing restructured loans	<u>\$ 195</u>	<u>\$ 196</u>
<u>Accruing Loans > 90 Days Past Due:</u>		
Production and intermediate term	\$ 225	\$ -
Total accruing loan > 90 days past due	<u>\$ 225</u>	<u>\$ 0</u>
Total nonperforming assets	<u>\$ 5,253</u>	<u>\$ 5,385</u>

The following table provides an age analysis of past due loans (including accrued interest) as of March 31, 2012:

	Past Due		Total Loans
	30 – 89 Days	≥ 90 Days	
Long-term farm mortgage	\$ 592	\$ 1,741	\$ 2,333
Farm related business	-	607	607
Production and intermediate term	113	400	513
Total impaired loans	<u>\$ 705</u>	<u>\$ 2,748</u>	<u>\$ 3,453</u>

The following table shows loans and related accrued interest classified under the FCA Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2012	December 31, 2011
Long-term farm mortgage		
Acceptable	34.9%	34.2%
OAEM*	1.2%	1.3%
Substandard/doubtful	2.4%	2.5%
	<u>38.5%</u>	<u>38.0%</u>
Country home		
Acceptable	0.4%	0.4%
OAEM*	0.1%	0.1%
Substandard/doubtful	0.0%	0.0%
	<u>0.5%</u>	<u>0.5%</u>
Farm related business		
Acceptable	13.3%	11.9%
OAEM*	0.1%	0.2%
Substandard/doubtful	0.2%	0.2%
	<u>13.6%</u>	<u>12.3%</u>
Production and intermediate term		
Acceptable	41.8%	43.6%
OAEM*	3.5%	3.4%
Substandard/doubtful	2.1%	2.2%
	<u>47.4%</u>	<u>49.2%</u>
Total Loans		
Acceptable	90.4%	90.1%
OAEM*	4.9%	5.0%
Substandard/doubtful	4.7%	4.9%
	<u>100.0%</u>	<u>100.0%</u>

*Other Assets Especially Mentioned

Additional impaired loan information is as follows:

	At March 31, 2012			For Three Months Ended March 31, 2012	
	Recorded Investment	Unpaid Principal Balance*	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired Loans with a related allowance for loan losses:					
Long-term farm mortgage	\$ 3,379	\$ 3,831	\$ 879	\$ 3,501	\$ -
Farm related business	736	836	36	748	-
Production and intermediate term	1,035	1,251	126	840	-
Total	<u>\$ 5,150</u>	<u>\$ 5,918</u>	<u>\$ 1,041</u>	<u>\$ 5,089</u>	<u>\$ -</u>
Impaired Loans with no related allowance for loan losses:					
Long-term farm mortgage	\$ 44	\$ 112	\$ -	\$ 45	\$ -
Production and intermediate term	59	142	-	58	-
Total	<u>\$ 103</u>	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 103</u>	<u>\$ -</u>
Total Impaired Loans:					
Long-term farm mortgage	\$ 3,423	\$ 3,943	\$ 879	\$ 3,546	\$ -
Farm related business	736	836	36	748	-
Production and intermediate term	1,094	1,393	126	1,123	-
Total	<u>\$ 5,253</u>	<u>\$ 6,172</u>	<u>\$ 1,041</u>	<u>\$ 5,417</u>	<u>\$ -</u>
	At December 31, 2011			For The Year Ended December 31, 2011	
	Recorded Investment	Unpaid Principal Balance*	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired Loans with a related allowance for loan losses:					
Long-term farm mortgage	\$ 3,653	\$ 4,059	\$ 495	\$ 4,012	\$ 80
Farm related business	762	848	36	820	-
Production and intermediate term	865	1,066	109	1,048	15
Total	<u>\$ 5,280</u>	<u>\$ 5,973</u>	<u>\$ 640</u>	<u>\$ 5,880</u>	<u>\$ 95</u>
Impaired Loans with no related allowance for loan losses:					
Long-term farm mortgage	\$ 46	\$ 111	\$ -	\$ 50	\$ -
Production and intermediate term	60	142	-	64	-
Total	<u>\$ 106</u>	<u>\$ 253</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ -</u>
Total Impaired Loans:					
Long-term farm mortgage	\$ 3,698	\$ 4,170	\$ 495	\$ 4,062	\$ 80
Farm related business	762	848	36	820	-
Production and intermediate term	925	1,208	109	1,112	15
Total	<u>\$ 5,385</u>	<u>\$ 6,226</u>	<u>\$ 640</u>	<u>\$ 5,994</u>	<u>\$ 95</u>

*Unpaid principal balance represents the borrower's contractual 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	Country Home	Farm Related Business	Production & Intermediate Term	Total
Allowance for Loan Losses:					
Balance at December 31, 2011	\$ 2,818	\$ 18	\$ 240	\$ 1,808	\$ 4,884
Charge-offs	-	-	-	-	-
Recoveries	-	-	6	-	6
(Reversal of) provision for loan losses	(18)	(1)	13	(64)	(70)
Balance at March 31, 2012	<u>\$ 2,800</u>	<u>\$ 17</u>	<u>\$ 259</u>	<u>\$ 1,744</u>	<u>\$ 4,820</u>
Ending Balance: individually evaluated for impairment	\$ 879	\$ -	\$ 36	\$ 126	\$ 1,041
Ending Balance: collectively evaluated for impairment	<u>1,921</u>	<u>17</u>	<u>223</u>	<u>1,618</u>	<u>3,779</u>
Balance at March 31, 2012	<u>\$ 2,800</u>	<u>\$ 17</u>	<u>\$ 259</u>	<u>\$ 1,744</u>	<u>\$ 4,820</u>
Recorded Investment in Loans Outstanding:					
Ending Balance for loans individually evaluated for impairment	\$ 3,379	\$ -	\$ 736	\$ 1,035	\$ 5,150
Ending Balance for loans collectively evaluated for impairment	<u>126,535</u>	<u>1,522</u>	<u>45,309</u>	<u>158,881</u>	<u>332,247</u>
Ending Balance at March 31, 2012	<u>\$ 129,914</u>	<u>\$ 1,522</u>	<u>\$ 46,045</u>	<u>\$ 159,916</u>	<u>\$ 337,397</u>

In 2011, we revised our methodology for determining the Allowance for Credit Losses. The new methodology takes into consideration potential losses related to unfunded commitments, and as a result, we have established a separate Reserve for Unfunded Commitments, which is included in Other Liabilities on the Association's balance sheet.

The provision for the Reserve for Unfunded Commitments is part of the Provision for Credit Losses on the income statement. The components of the Provision for Credit Losses are presented in the table below:

	Three Months Ended March 31,	
	2012	2011
(Reversal of) provision for loan losses	\$ (70)	\$ -
(Reversal of) provision for unfunded commitments	(6)	-
Total (reversal of) provision for credit losses	<u>\$ (76)</u>	<u>\$ -</u>

The following table presents additional information regarding troubled debt restructurings that occurred during the quarter ended March 31, 2012:

	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Real Estate Mortgage	\$ 287	\$ 287

*Pre-modification represents the recorded investment just prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable 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.

The following table provides information on outstanding loans restructured in troubled debt restructurings at March 31, 2012:

	Loans Modified as TDRs	TDRs in Nonaccrual Status
Real Estate Mortgage	\$ 614	\$ 133
Production & Intermediate Term	23	23
Total	<u>\$ 637</u>	<u>\$ 156</u>

There were no additional commitments to lend additional funds to members whose loans were classified as troubled debts restructured at March 31, 2012.

NOTE 3 - CAPITAL

Please see the 2011 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 2011 was \$3.664 million and was distributed 100% in cash on March 20, 2012. A patronage distribution program is also in effect for 2012. The amount of the patronage distribution for 2012 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 2012 is approximately \$848 thousand. Management believes it is probable that the 2012 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 2012 for patronage distribution payable of \$848 thousand. The corresponding interim accrual at the end of the first quarter of 2011 for patronage distribution payable was \$823 thousand million (also 100% cash).

The Association's regulatory capital ratios were:

	Value At		Regulatory Minimum
	March 31, 2012	December 31, 2011	
Core surplus ratio	20.1%	20.3%	3.5%
Total surplus ratio	20.3%	20.3%	7.0%
Permanent capital ratio	20.7%	20.6%	7.0%

Additionally, for 2012, the Association has established an internal minimum of 16.0% for the permanent capital ratio and a goal of 20.5%. The ratio at March 31, 2012, as indicated above, is not indicative of the full year.

NOTE 4 - INCOME TAXES

Please see the 2011 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 2012.

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 2011 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, 2012 are summarized below:

<u>Assets:</u>	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Interest Rate Swaps	\$ -	\$ 4	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>

Assets measured at a fair value on a recurring basis at December 31, 2011 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
<u>Assets:</u>			
Interest Rate Swaps	\$ -	\$ 14	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ -</u>

Assets measured at a fair value on a non-recurring basis at March 31, 2012 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
<u>Assets:</u>			
Nonaccrual loans	\$ -	\$ -	\$ 4,833
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,833</u>

Assets measured at a fair value on a non-recurring basis at December 31, 2011 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
<u>Assets:</u>			
Nonaccrual loans	\$ -	\$ -	\$ 5,189
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,189</u>

There were no liabilities measured at fair value on a recurring or non-recurring basis at March 31, 2012.

As more fully discussed in Note 2L and Note 11 of the 2011 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 interest 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 2010 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	
	<u>March 31, 2012</u>	<u>Dec 31, 2011</u>
<u>Balance sheet:</u>		
Accrued interest receivable	\$ 1	\$ 3
Accrued interest payable (included in other liabilities)	-	-
Positive fair values (included in other assets)	4	14
Negative fair values (included in other liabilities)	-	-
Accumulated other comprehensive income	(2)	8
	<u>Three Months Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
<u>Statement of income:</u>		
(Decreased) increased interest expense	\$ (10)	\$ (62)
<u>Other comprehensive income:</u>		
Net unrealized gains (losses) on Interest rate swaps	\$ (10)	\$ (58)

NOTE 7 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 7, 2012, 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

Website address: www.yankeeaca.com