YANKEE FARM CREDIT
Building Relationships That Last Generations

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CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED MARCH 31, 2017

May 4, 2017

Dear Shareholder:

Enclosed are the Association's consolidated financial statements for the first quarter of 2017. These statements should be read in conjunction with the 2016 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,

Paul B. Franklin
Chairperson, Board of Directors

Brenda K. Frank
President and CEO

Kenneth F. Deon
Chairperson, Audit Committee

Pamela A. Simek
SVP/Chief Financial Officer

YANKEE FARM CREDIT, ACA

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

First Quarter Ended March 31, 2017
(Dollars in thousands, except as noted)
(Unaudited)

Results of Operations: First Quarter

Net income for the first quarter of 2017 was $2.356 million, down slightly from net income of $2.650 million in the first quarter of 2016.

Net interest income before the provision for loan losses was down $85 thousand (2%) in 2017 as compared to 2016. The following table shows the components of this increase:

Changes in net interest income due to:	
Changes in volumes of accrual loans & debt	$ 196
Changes in interest rates on accrual loans & debt	(157)
Changes in interest income on nonaccrual loans	(124)
Total change in net interest income	$ (85)

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Average accrual loan volume	$ 471,985	$ 446,291
Average interest rate on loans	4.55%	4.35%
Average interest rate spread	3.27%	3.44%

Average loan volume was higher in 2017, contributing to an increase of $196 thousand as shown in the first table above. This increase was offset by a decrease of $157 thousand due to changes in rates, and $124 thousand lower interest income due to payouts on nonaccruals loans.

There was a provision for credit losses of $95 thousand in the first quarter of 2017, as compared to a provision for credit losses of $239 thousand in the first quarter of 2016.

Other income increased by $112 thousand (10%) in 2017 as compared to 2016. This increase resulted primarily from an increase of $178 thousand in the accrual of patronage refunds from CoBank.

Other expense increased by $465 thousand (19%) in 2017 as compared to 2016. Salaries and employee benefits increased by $245 thousand (18%), and the other expense category (which includes purchased services) increased $227 thousand (51%). This increase is primarily related to costs related to enhanced risk management practices and the conversion to a new information technology platform.

Loan Portfolio and Financial Condition

Loans originated by the Association decreased by $17.4 million (2%) from year-end. Loans purchased increased by $0.7 million (3%) from year-end, and participations sold decreased by $9.1 million (3%). Loans held by the Association decreased by $7.5 million (2%) from year-end.

The loan portfolio continues to be concentrated in the dairy industry. Farm prices for dairy products increased in the first quarter of 2017. Federal Order 1 prices for the first quarter of 2017 averaged $17.89/cwt, up $1.33/cwt (8%) from the fourth quarter of 2016, and up $1.86/cwt (12%) from the first quarter of 2016. 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 102 for the first two months of 2017, up 1% from both the fourth quarter and first quarter of 2016. (Feed Index = 100 for 2011)

Management's Discussion & Analysis (cont.)

Loan quality worsened slightly but remained strong through the first quarter of 2017. Loans graded Substandard or lower were 3.4%% of total loans at March 31, 2017, 0.6% worsened from year-end. High risk assets comprised 1.2% of loans and related assets at March 31, 2017, unchanged from year-end. (High risk assets include nonaccrual loans, accrual troubled debt restructured loans, loans delinquent 90 days or more but not yet classified as nonaccrual, and other property owned.) Repayment performance remained satisfactory. Loans (both accrual and nonaccrual) delinquent 30 days or more were 1.2% at March 31, 2017, 0.1% improved from year-end. The 12-month rolling average for this statistic was 1.5% at March 31, 2017, up 0.2% from year-end. There were no charge-offs but one small recovery (less than $1 thousand) in the first quarter of 2017. There were no charge-offs or recoveries in the first quarter of 2016.

As discussed in the 2016 Annual Report to Shareholders, the Association declared a patronage distribution of $5.115 million based on 2016 earnings, 100% in cash. This was paid on March 22, 2017.

Members' equity as a percentage of assets was 20.2% at March 31, 2017, as compared to 19.8% at year-end.

On March 10, 2016, the FCA adopted final rules (the New Capital Regulations) relating to regulatory capital requirements for Associations and System banks. The New Capital Regulations took effect January 1, 2017. The stated objectives of the New Capital Regulations are as follows:

- To modernize capital requirements while ensuring that System institutions continue to hold sufficient regulatory capital to fulfill the System's mission as a government-sponsored enterprise;
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System;
- To make System regulatory capital requirements more transparent; and
- To meet certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act).

The New Capital Regulations, among other things, replace existing core surplus and total surplus requirements with common equity tier 1 (CET1), tier 1 and total regulatory capital (tier 1 plus tier 2) risk-based capital ratio requirements. The New Capital Regulations also add a tier 1 leverage ratio for all System institutions, which replaces the existing net collateral ratio for System banks.

The New Capital Regulations establish a capital cushion (capital conservations buffer) for CET1, tier 1 and total capital requirements. In addition, the New Capital Regulations establish a leverage capital cushion (leverage buffer) above the tier 1 leverage ratio requirement. The below regulatory minimums reflect the inclusion of these various buffers.

	Value At				
	March 31, 2017	December 31, 2016	Regulatory Minimum	Internal Minimum	2017 Goal Range
Permanent capital ratio	18.3%	18.9%	7.0%	15.0%	17.5% - 19.5%
CET 1	18.3%	n/a	7.0%	14.5%	16.5% - 18.5%
Tier 1 capital	18.3%	n/a	8.5%	14.5%	16.5% - 18.5%
Total regulatory capital	19.6%	n/a	10.5%	16.0%	18.0% - 20.0%
Tier 1 leverage	17.3%	n/a	5.0%	14.0%	16.0% - 18.0%

The ratios at March 31, 2017, as indicated above, are not indicative of the full year.

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, 2017	December 31, 2016
	(in thousands)	
ASSETS		
Loans originated by the Association	$ 737,816	$ 749,390
Plus participations purchased	21,346	20,632
Less participations sold	286,065	289,397
Loans held by the Association	473,097	480,625
Less allowance for loan losses	5,894	5,793
Net loans	467,203	474,832
Cash	2,410	4,161
Accrued interest receivable	2,323	1,620
Patronage refunds due from CoBank, ACB	1,118	4,203
Investment in CoBank, ACB	18,648	18,014
Mission related investment	368	301
Premises and equipment, less accumulated depreciation	3,612	3,637
Other assets	1,221	1,138
Total assets	$ 496,903	$ 507,906
LIABILITIES		
Note payable to CoBank, ACB	$ 392,306	$ 399,144
Patronage distribution payable	1,376	5,115
Reserve for unfunded commitments	123	129
Other liabilities	2,682	4,100
Total liabilities	396,487	408,488
MEMBERS' EQUITY		
Capital stock and participation certificates	1,106	1,092
Unallocated surplus	100,871	99,887
Accumulated other comprehensive (loss)	(1,561)	(1,561)
Total members' equity	100,416	99,418
Total liabilities and members' equity	$ 496,903	$ 507,906

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

YANKEE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
	(in thousands)	
INTEREST INCOME		
Loans	$ 5,319	$ 4,975
Total interest income	5,319	4,975
INTEREST EXPENSE		
Note payable to CoBank, ACB	1,251	822
Total interest expense	1,251	822
Net interest income	4,068	4,153
Provision for credit losses	95	239
Net interest income after provision for credit losses	3,973	3,914
OTHER INCOME		
Patronage refunds from CoBank, ACB	836	658
Fees for financial services	407	469
Loan fees and other income	9	13
Total other income	1,252	1,140
OTHER EXPENSE		
Salaries and employee benefits	1,609	1,364
Occupancy and equipment	125	119
Farm Credit Insurance Fund premium	127	145
Fees paid to Farm Credit Financial Partners, Inc.	329	324
Other expenses	675	448
Total other expense	2,865	2,400
Income before income taxes	2,360	2,654
Provision for income taxes	4	4
Net income	$ 2,356	$ 2,650
OTHER COMPREHENSIVE INCOME		
OCI related to pension liabilities	-	-
Comprehensive income	$ 2,356	$ 2,650

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

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

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		(in thousands)		
Balance at December 31, 2015	$ 1,093	$ 95,709	$ (1,813)	$ 94,989
Comprehensive income				
Net income	-	2,650	-	2,650
Other comprehensive income				
Change in pension liabilities	-	-	-	-
Total comprehensive income	-	2,650	-	2,650
Capital stock/PCs issued	35	-	-	35
Capital stock/PCs retired	(29)	-	-	(29)
Patronage distribution accrued				
Cash	-	(1,262)	-	(1,262)
Adjustment for rounding	-	-	-	-
Balance at March 31, 2016	$ 1,099	$ 97,097	$ (1,813)	$ 96,383
Balance at December 31, 2016	$ 1,092	$ 99,887	$ (1,561)	$ 99,418
Comprehensive income				
Net income	-	2,356	-	2,356
Other comprehensive income				
Change in pension liabilities	-	-	-	-
Total comprehensive income	-	2,356	-	2,356
Capital stock/PCs issued	38	-	-	38
Capital stock/PCs retired	(23)	-	-	(23)
Patronage distribution accrued				
Cash	-	(1,372)	-	(1,372)
Adjustment for rounding	(1)	-	-	(1)
Balance at March 31, 2017	$ 1,106	$ 100,871	$ (1,561)	$ 100,416

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, 2017
(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, 2016 are contained in the 2016 Annual Report to Shareholders. These unaudited first quarter 2017 financial statements should be read in conjunction with the 2016 Annual Report to Shareholders.

In August 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Bank's financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on their financial condition or results of operations.

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, 2017 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, 2017	December 31, 2016
Long-term farm mortgage	$ 206,998	$ 206,714
Country home	1,873	1,898
Farm related business	27,551	27,992
Production and intermediate term	501,394	512,786
Total loan originated by the Association	737,816	749,390
Plus participations purchased	21,346	20,632
Less participations sold	286,065	289,397
Loans held by the Association	$ 473,097	$ 480,625

The Association purchases and sells participation interests 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:

	Value at			
	March 31, 2017		December 31, 2016	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Long-term farm mortgage	$ 16,332	$ 11,590	$ 13,980	$ 11,423
Farm related business	4,093	919	6,264	1,564
Production and intermediate term	921	273,556	388	276,410
Total	$ 21,346	$ 286,065	$ 20,632	$ 289,397

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

	Value at	
	March 31, 2017	December 31, 2016
Nonaccrual Loans:		
Long-term farm mortgage	$ 715	$ 737
Farm related business	90	111
Production and intermediate term	4,666	4,766
Total nonaccrual loans	$ 5,471	$ 5,614
Accrual Troubled Debt Restructured Loans:		
Long-term farm mortgage	$ 86	$ 94
Total troubled debt restructured loans	$ 86	$ 94
Total impaired assets	$ 5,557	$ 5,708

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the Association, for economic or legal reasons related to the member's financial difficulties, grants a concession to the member that it would not have otherwise considered. The Association had no new TDR loans through the periods ending March 31, 2017 and December 31, 2016.

There were no additional commitments to lend additional funds to members whose loans were classified as troubled debts restructured at March 31, 2017 and at December 31, 2016.

The following table provides information on outstanding loans restructured in troubled debt restructurings (including accrued interest) period end:

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Long-term farm mortgage	$ 86	$ 94	$ -	$ -
Total	$ 86	$ 94	$ -	$ -

*represents the portion of loans modified as TDRs (first two columns) that are in nonaccrual status

The following table provides an age analysis of past due loans (including accrued interest) as of March 31, 2017:

	Past Due		
	30 – 89 Days	≥ 90 Days	Total
Long-term farm mortgage	$ 666	$ 96	$ 762
Farm related business	130	90	220
Production and intermediate term	27	4,666	4,693
Total loans past due	$ 823	$ 4,852	$ 5,675

There were no loans 90 days or more past due but still classified as accrual at March 31, 2017.

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, 2017	December 31, 2016
Long-term farm mortgage		
Acceptable	35.9%	36.2%
OAEM*	3.1%	2.5%
Substandard/doubtful	1.7%	1.2%
	40.7%	39.9%
Country home		
Acceptable	0.3%	0.3%
OAEM*	0.1%	0.1%
Substandard/doubtful	0.0%	0.0%
	0.4%	0.4%
Farm related business		
Acceptable	12.4%	12.3%
OAEM*	0.1%	0.0%
Substandard/doubtful	0.2%	0.3%
	12.7%	12.6%
Production and intermediate term		
Acceptable	42.6%	44.3%
OAEM*	2.1%	1.5%
Substandard/doubtful	1.5%	1.3%
	46.2%	47.1%
Total Loans		
Acceptable	91.2%	93.1%
OAEM*	5.4%	4.1%
Substandard/doubtful	3.4%	2.8%
	100.0%	100.0%

*Other Assets Especially Mentioned

The following tables present information on impaired loans and related amounts in the Allowance for Loan Losses:

	At March 31, 2017		
	Recorded Investment	Unpaid Principal Balance*	Related Allowance
Impaired Loans with a related allowance for loan losses:			
Long-term farm mortgage	$ 726	$ 1,384	$ 36
Farm related business	124	159	27
Production and intermediate term	4,707	4,974	266
Total	$ 5,557	$ 6,517	$ 329
Impaired Loans with no related allowance for loan losses:			
Long-term farm mortgage	$ -	$ 20	$ -
Production and intermediate term	-	323	-
Total	$ -	$ 343	$ -
Total Impaired Loans:			
Long-term farm mortgage	$ 726	$ 1,404	$ 36
Farm related business	124	159	27
Production and intermediate term	4,707	5,297	266
Total	$ 5,557	$ 6,860	$ 329

	At December 31, 2016		
	Recorded Investment	Unpaid Principal Balance*	Related Allowance
Impaired Loans with a related allowance for loan losses:			
Long-term farm mortgage	$ 756	$ 1,414	$ 58
Farm related business	145	251	23
Production and intermediate term	4,807	4,971	244
Total	$ 5,708	$ 6,636	$ 325
Impaired Loans with no related allowance for loan losses:			
Long-term farm mortgage	$ -	$ -	$ -
Production and intermediate term	-	342	-
Total	$ -	$ 342	$ -
Total Impaired Loans:			
Long-term farm mortgage	$ 756	$ 1,414	$ 58
Farm related business	145	251	23
Production and intermediate term	4,807	5,313	244
Total	$ 5,708	$ 6,978	$ 325

*Unpaid principal balance represents the borrower's contractual balance of the loan.

The following table presents additional information on impaired loans:

	Three Months Ended March 31, 2017 Average Impaired Loans	March 31, 2017 Interest Income Recognized	March 31, 2016 Average Impaired Loans	March 31, 2016 Interest Income Recognized
Impaired Loans with a related allowance for loan losses:				
Long-term farm mortgage	$ 816	$ 3	$ 1,266	$ 8
Farm related business	98	7	313	133
Production and intermediate term	4,699	-	309	-
Total	$ 5,613	$ 10	$ 1,888	$ 141
Impaired Loans with no related allowance for loan losses:				
Long-term farm mortgage	$ -	$ -	$ -	$ -
Farm related business	-	-	3	-
Production and intermediate term	-	15	4	13
Total	$ -	$ 15	$ 7	$ 13
Total Impaired Loans:				
Long-term farm mortgage	$ 816	$ 3	$ 1,266	$ 8
Farm related business	98	7	316	133
Production and intermediate term	4,699	15	313	13
Total	$ 5,613	$ 25	$ 1,895	$ 154

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Long-term Farm Mortgage	Country Home	Farm Related Business	Production & Intermediate Term	Total
Allowance for Loan Losses:					
Balance at December 31, 2016	$ 2,691	$ 9	$ 269	$ 2,824	$ 5,793
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provision for (reversal of provision for) loan losses	33	-	6	62	101
Balance at March 31, 2017	$ 2,724	$ 9	$ 275	$ 2,886	$ 5,894
Ending Balance: individually evaluated for impairment	$ 36	$ -	$ 27	$ 266	$ 329
Ending Balance: collectively evaluated for impairment	2,688	9	248	2,620	5,565
Balance at March 31, 2017	$ 2,,724	$ 9	$ 275	$ 2,886	$ 5,894
Balance at December 31, 2015	$ 2,380	$ 10	$ 324	$ 2,409	$ 5,123
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provision for (reversal of provision for) loan losses	80	-	(34)	176	222
Balance at March 31, 2016	$ 2,460	$ 10	$ 290	$ 2,585	$ 5,345
Ending Balance: individually evaluated for impairment	$ 58	$ -	$ 36	$ 78	$ 172
Ending Balance: collectively evaluated for impairment	2,402	10	254	2,407	5,173
Balance at March 31, 2016	$ 2,460	$ 10	$ 290	$ 2,585	$ 5,345

Recorded Investment in Loans Outstanding:	Long-term Farm Mortgage	Country Home	Farm Related Business	Production & Intermediate Term	Total
	At March 31, 2017				
Ending Balance for loans collectively evaluated for impairment	$ 211,014	$ 1,873	$ 30,601	$ 224,052	$ 467,540
Ending Balance for loans Individually evaluated for impairment	726	-	124	4,707	5,557
Ending Balance at March 31, 2017	$ 211,740	$ 1,873	$ 30,725	$ 228,759	$ 473,097
	At December 31, 2016				
Ending Balance for loans collectively evaluated for impairment	$ 208,515	$ 1,898	$ 32,547	$ 231,957	$ 474,917
Ending Balance for loans individually evaluated for impairment	756	-	145	4,807	5,708
Ending Balance at December 31, 2016	$ 209,271	$ 1,898	$ 32,692	$ 236,764	$ 480,625

The methodology for determining the Allowance for Credit Losses 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 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,	
	2017	2016
Provision for loan losses	$ 101	$ 222
Provision for unfunded commitments	(6)	17
Total provision for credit losses	$ 95	$ 239

NOTE 3 - CAPITAL

Please see the 2016 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 2016 was $5.115 million and was distributed 100% in cash on March 22, 2017. A patronage distribution program is also in effect for 2017. The amount of the patronage distribution for 2017 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 2017 is approximately $1.376 million. Management believes it is probable that the 2017 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 2017 for patronage distribution payable of $1.376 million. The corresponding interim accrual at the end of the first quarter of 2016 for patronage distribution payable was $1.262 million (also 100% cash).

NOTE 4 - INCOME TAXES

Please see the 2016 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 2017.

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 2016 Annual Report to Shareholders, particularly Note 2L and Note 11 to the Financial Statements, for a more complete description.

The Association had no assets measured at fair value on a recurring basis at March 31, 2017 or at December 31, 2016.

Assets measured at fair value on a non-recurring basis at March 31, 2017 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Impaired loans	$ -	$ -	$ 5,232
Total Assets	$ -	$ -	$ 5,232

Assets measured at a fair value on a non-recurring basis at December 31, 2016 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Impaired loans	$ -	$ -	$ 5,708
Total Assets	$ -	$ -	$ 5,708

There were no liabilities measured at fair value on a recurring or non-recurring basis at March 31, 2017.

As more fully discussed in Note 2L and Note 11 of the 2016 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.

Impaired Loans: For certain loans evaluated for impairment, the fair value is based upon the underlying collateral since the loans were collateral dependent loans. 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 results, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Balance Sheet for each of the fair value hierarchy values are summarized as follows:

	March 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Loans, net	$ 467,203	$ 469,093	$ 474,832	$ 476,973
Cash	2,410	2,410	4,161	4,161
Investment in CoBank, ACB	18,648	18,648	18,014	18,014
Financial Liabilities:				
Notes payable to CoBank, ACB	$ 392,306	$ 392,103	$ 399,144	$ 398,829

A description of the methods and assumptions used to estimate the fair value of the Association's financial instruments for which it is practicable to estimate that value follows:

Loans: Fair value is estimated by discounting the expected future cash flows using the Association's and/or CoBank's current interest rates at which similar loans would be made to borrowers with similar credit risk. As discount rates are based on the Association's current loan rates as well as management estimates, management has no basis to determine whether the estimated fair values presented would be indicative of assumptions and adjustments that a purchaser of the Association's loans would see in an actual sale, which could be less.

Cash: The carrying value is a reasonable estimate of the fair value.

Investment in CoBank, ACB: Estimating the fair value of the Association's investment in CoBank is not practicable because the stock is not traded. As described in Note 4 of the 2016 Annual Report to Shareholders, the investment is a requirement of borrowing from CoBank and is carried at cost plus allocated equities on the consolidated balance sheets.

Note Payable to CoBank, ACB: The note payable is segregated into pricing pools according to the types and terms of the loans (or other assets) which it funds. Fair value of the note payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

NOTE 6 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 4, 2017, which is the date the financial statements were available to be issued. No subsequent events were identified that would require additional disclosures or adjustments to the financial statements.

YANKEE FARM CREDIT, ACA
OFFICE LOCATIONS

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

Yankee Farm Credit, ACA
320 Exchange Street
Middlebury, VT 05753
(800) 545-1169
(802) 388-2692

Yankee Farm Credit, ACA
250 Commerce Way
Newport, VT 05855 (mailing)
Derby, VT 05829 (physical)
(800) 370-2738
(802) 334-8050

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

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52 Farmvu Drive
White River Jct., VT 05001
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289 Hurricane Lane, Suite 102
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