

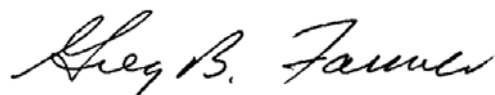
FIRST QUARTER 2009

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2009 quarterly report of Colonial Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Greg B. Farmer
Chief Executive Officer



Terri E. Branch
Chief Financial Officer



Clarke E. Fox
Chairman of the Audit Committee

April 23, 2009

Colonial Farm Credit, ACA

Report on Internal Control Over Financial Reporting

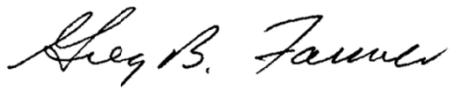
The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2009. In making the assessment, management used the framework in *Internal Control—Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of March 31, 2009 the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2009.



Clarke E. Fox
Chairman of the Board



Greg B. Farmer
Chief Executive Officer



Terri E. Branch
Chief Financial Officer

April 23, 2009

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of *Colonial Farm Credit, ACA* (Association) for the period ended March 31, 2009. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2008 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including livestock operations such as beef cattle, horses, poultry, swine, and dairy farms and various field crops such as soybeans, peanuts, tobacco, cotton, and corn. Other predominant commodities in the portfolio are timber and rural home loans. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2009, was \$663,703, a decrease of \$13,956, as compared to \$677,659 at December 31, 2008. Net loans outstanding at March 31, 2009, were \$659,995 as compared to \$671,910 at December 31, 2008. Net loans accounted for 96.43 percent of total assets at March 31, 2009, as compared to 95.84 percent of total assets at December 31, 2008. The decrease in gross and net loan volume during the reporting period is attributed to the paydown of seasonal operating loans.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory. Nonaccrual loans decreased from \$14,003 at December 31, 2008, to \$12,662 at March 31, 2009. This decrease is primarily the result of charge-offs taken on two accounts.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible

losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2009, was \$3,708 compared to \$5,749 at December 31, 2008, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2009, totaled \$3,000, as compared to \$3,421 for the same period in 2008. Net interest income decreased \$17 for the three months ended March 31, 2009, as compared to the same period in 2008. Lower accruing volume and lower interest earned on the Association's loanable funds credit with the Bank are the primary reasons for this decrease in net interest income.

Noninterest income for the three months ended March 31, 2009, totaled \$1,468, as compared to \$1,395 for the same period of 2008, an increase of \$73. The increase is the result of an increase in gains from the sale of rural home loans of \$51, patronage of \$22, other noninterest income of \$8, and loan fees of \$1 offset by a decrease in fees for financially related services of \$8 and gains on other property owned of \$1. Noninterest expense for the three months ended March 31, 2009, increased \$474 compared to the same period of 2008. This increase is the result of an increase in salaries and benefits of \$358, other operating expenses of \$68, FCSIC insurance premium of \$30, and occupancy and equipment of \$18.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2009, was \$545,918 as compared to \$563,472 at December 31, 2008.

CAPITAL RESOURCES

Total members' equity at March 31, 2009, increased to \$124,665 from the December 31, 2008, total of \$121,816. The increase is attributed to current year's earnings less net retirements of member stock.

Total capital stock and participation certificates were \$5,163 on March 31, 2009, compared to \$5,348 on December 31, 2008. This decrease is attributed to the retirement of inactive Class C stock.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2009, the Association's total surplus ratio and core surplus ratio were 15.71 percent and 15.65 percent, respectively, and the permanent capital ratio was 16.47 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 378, or writing Stephen Gilbert, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-804-746-1252, or writing Terri E. Branch, Executive Vice President and Chief Financial Officer, Colonial Farm Credit, ACA, P.O. Box 727, Mechanicsville, VA 23111, or accessing the website, www.colonialfarmcredit.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Colonial Farm Credit, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2009 <i>(unaudited)</i>	December 31, 2008 <i>(audited)</i>
Assets		
Cash	\$ 213	\$ 447
Loans	663,703	677,659
Less: allowance for loan losses	3,708	5,749
Net loans	659,995	671,910
Other investments	1,580	1,926
Accrued interest receivable	5,077	6,291
Investment in other Farm Credit institutions	9,569	9,569
Premises and equipment, net	2,238	2,316
Due from AgFirst Farm Credit Bank	1,012	4,211
Other assets	4,734	4,428
Total assets	\$ 684,418	\$ 701,098
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 545,918	\$ 563,472
Accrued interest payable	1,708	1,995
Patronage refund payable	457	6,772
Other liabilities	11,670	7,043
Total liabilities	559,753	579,282
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	5,163	5,348
Retained earnings		
Unallocated	119,684	116,655
Accumulated other comprehensive income (loss)	(182)	(187)
Total members' equity	124,665	121,816
Total liabilities and members' equity	\$ 684,418	\$ 701,098

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

Colonial Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

**For the three months
ended March 31,**

(dollars in thousands)

	2009	2008
Interest Income		
Loans	\$ 9,820	\$ 11,486
Other	24	30
Total interest income	9,844	11,516
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	5,318	6,973
Net interest income	4,526	4,543
Provision for (reversal of allowance for) loan losses	22	—
Net interest income after provision for (reversal of allowance for) loan losses	4,504	4,543
Noninterest Income		
Loan fees	183	182
Fees for financially related services	13	21
Equity in earnings of other Farm Credit institutions	1,011	989
Gains (losses) on other property owned, net	2	3
Gains (losses) on sale of rural home loans, net	157	106
Other noninterest income	102	94
Total noninterest income	1,468	1,395
Noninterest Expense		
Salaries and employee benefits	1,960	1,602
Occupancy and equipment	186	168
Insurance Fund premium	267	237
Other operating expenses	553	485
Total noninterest expense	2,966	2,492
Income before income taxes	3,006	3,446
Provision (benefit) for income taxes	6	25
Net income	\$ 3,000	\$ 3,421

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

Colonial Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2007	\$ 5,505	\$ 112,871	\$ (122)	\$ 118,254
Comprehensive income				
Net income		3,421		3,421
Employee benefit plans adjustments		(8)	5	<u>(3)</u>
Total comprehensive income				3,418
Capital stock/participation certificates issued/(retired), net	(185)			(185)
Patronage distribution adjustment		<u>(64)</u>		<u>(64)</u>
Balance at March 31, 2008	<u>\$ 5,320</u>	<u>\$ 116,220</u>	<u>\$ (117)</u>	<u>\$ 121,423</u>
Balance at December 31, 2008	\$ 5,348	\$ 116,655	\$ (187)	\$ 121,816
Comprehensive income				
Net income		3,000		3,000
Employee benefit plans adjustments			5	<u>5</u>
Total comprehensive income				3,005
Capital stock/participation certificates issued/(retired), net	(185)			(185)
Patronage distribution adjustment		<u>29</u>		<u>29</u>
Balance at March 31, 2009	<u>\$ 5,163</u>	<u>\$ 119,684</u>	<u>\$ (182)</u>	<u>\$ 124,665</u>

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

Colonial Farm Credit, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

NOTE 1 – ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The accompanying financial statements include the accounts of Colonial Farm Credit, ACA (the Association). 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, 2008, are contained in the 2008 Annual Report to Shareholders. These unaudited first quarter 2009 consolidated financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP) and prevailing practices within the banking industry. The results for the three months ended March 31, 2009, are not necessarily indicative of the results to be expected for the year ending December 31, 2009.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period's consolidated financial statement presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2009, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In addition to the recently issued accounting pronouncements discussed in the 2008 Annual Report to Shareholders, effective January 1, 2009, the Association adopted Financial Accounting Standards Board (FASB) Statement of Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The impact of adoption requires additional fair value disclosures, if applicable, but does not have an impact on the Association's financial condition or results of operations.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
	2009	2008
Balance at beginning of period	\$ 5,749	\$ 2,624
Provision for (reversal of) loan losses	22	-
Charge-offs	(2,071)	(28)
Recoveries	8	9
Balance at end of period	<u>\$ 3,708</u>	<u>\$ 2,605</u>

The following table presents information concerning impaired loans as of March 31,

	2009	2008
Impaired loans with related allowance	\$ 4,896	\$ 30
Impaired loans with no related allowance	8,107	845
Total impaired loans	<u>\$ 13,003</u>	<u>\$ 875</u>
Allowance on impaired loans	<u>\$ 807</u>	<u>\$ 21</u>

The following table summarizes impaired loan information for the three months ended March 31,

	2009	2008
Average impaired loans	\$ 14,476	\$ 915
Interest income recognized on impaired loans	11	24

NOTE 3 – EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the three months ended March 31,	
	2009	2008
Pension	\$ 556	\$ 108
401(k)	61	59
Other postretirement benefits	93	94
Total	<u>\$ 710</u>	<u>\$ 261</u>

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 3/31/09	Projected Contributions For Remainder of 2009	Projected Total Contributions 2009
Pension	\$ -	\$ -	\$ -
Other postretirement benefits	33	138	171
Total	<u>\$ 33</u>	<u>\$ 138</u>	<u>\$ 171</u>

Actuarial calculations as of the last plan measurement date (December 31, 2008) projected no contributions to the pension plan for 2009. However, market conditions could impact discount rates and return on plan assets which could make additional contributions necessary before the next plan measurement date of December 31, 2009.

Further details regarding employee benefit plans are contained in the 2008 Annual Report to Shareholders.

NOTE 4 – FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Association adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities primarily consist of assets held in trust funds, standby letters of credit, impaired loans, and other property owned.

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

SFAS No. 157 establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs and the classification of the Association's financial instruments within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Association's Level 1 assets at March 31, 2009 consist of assets held in trust funds related to supplemental retirement plans. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets and liabilities measured at fair value on a recurring basis.

Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing. Level 3 assets at March 31, 2009 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying collateral since these 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 result, 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 principle balance of the loan, a specific reserve is established. Other property owned is classified as a level 3 asset at March 31, 2009. The fair value for other property owned is based upon the collateral less estimated costs to sell. Level 3 liabilities at March 31, 2009 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009 for each of the fair value hierarchy levels:

	March 31, 2009			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Assets held in trust funds	\$ 375	\$ -	\$ -	\$ 375
Total Assets	\$ 375	\$ -	\$ -	\$ 375
Liabilities:				
Standby letters of credit	\$ -	\$ -	\$ 90	\$ 90
Total Liabilities	\$ -	\$ -	\$ 90	\$ 90

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis:

	Standby Letters Of Credit
Balance at January 1, 2009	\$ 93
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive loss	-
Purchases, sales, issuances and settlements, net	(3)
Transfers in and/or out of level 3	-
Balance at March 31, 2009	\$ 90

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy values are summarized below:

	March 31, 2009				YTD Total Gains (Losses)
	Level 1	Level 2	Level 3	Total Fair Value	
Assets:					
Impaired loans	\$ -	\$ -	\$ 4,089	\$ 4,089	\$ (42)
Other property owned	\$ -	\$ -	\$ -	\$ -	\$ 2