

2009
Annual Report



Delta Agricultural Credit
Association

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Delta Agricultural Credit Association

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AgriBank, FCB's financial condition and results of operations materially affect members' investment in Delta Agricultural Credit Association. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports contact us at P.O. Box 750, Dermott, Arkansas, 71638, (870) 538-3258 or contact AgriBank, FCB at 375 Jackson Street, St. Paul, MN 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@AGRIBANK.COM. The reports are also available through AgriBank, FCB's website at www.agribank.com.

To request a free copy of our annual or quarterly reports contact us as stated above. The annual report is available on our website 75 days after the end of the calendar year and members are provided a copy of such report 90 days after the end of the year. The quarterly reports are available on our website 40 days after the end of each calendar quarter.

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Delta Agricultural Credit Association

(Dollars in thousands)

	2009	2008	2007	2006	2005
Statement of Condition Data					
Loans	\$26,538	\$25,671	\$19,942	\$20,746	\$19,936
Allowance for loan losses	194	123	142	201	87
Net loans	26,344	25,548	19,800	20,545	19,849
Investment in AgriBank, FCB	1,212	1,196	1,196	1,196	1,196
Other assets	992	1,017	868	882	707
Total assets	\$28,548	\$27,761	\$21,864	\$22,623	\$21,752
Obligations with maturities of one year or less	\$22,371	\$21,753	\$16,179	\$16,829	\$15,962
Total liabilities	22,371	21,753	16,179	16,829	15,962
Protected members' equity	17	17	17	18	19
Capital stock	1,366	1,367	1,215	1,384	1,468
Unallocated surplus	4,794	4,624	4,453	4,392	4,303
Total members' equity	6,177	6,008	5,685	5,794	5,790
Total liabilities and members' equity	\$28,548	\$27,761	\$21,864	\$22,623	\$21,752
Statement of Income Data					
Net interest income	\$934	\$831	\$756	\$786	\$747
Provision for loan losses	76	2	--	476	100
Patronage income	86	83	97	95	78
Other expense, net	789	730	696	152	571
(Reversal of) provision for income taxes	(15)	--	16	39	--
Net income	\$170	\$182	\$141	\$214	\$154
Key Financial Ratios					
Return on average assets	0.6%	0.7%	0.6%	0.9%	0.8%
Return on average members' equity	2.8%	3.1%	2.4%	3.8%	2.7%
Net interest income as a percentage of average earning assets	3.4%	3.4%	3.5%	3.5%	4.1%
Members' equity as a percentage of assets	21.6%	21.6%	26.0%	25.6%	26.6%
Net chargeoffs as a percentage of average loans	--	0.1%	0.3%	1.6%	0.4%
Allowance for loan losses as a percentage of loans	0.7%	0.5%	0.7%	1.0%	0.4%
Permanent capital ratio	19.1%	20.6%	25.8%	23.4%	26.6%
Total surplus ratio	14.2%	15.3%	19.7%	16.6%	19.3%
Core surplus ratio	12.5%	13.2%	16.6%	13.9%	15.9%
Other					
Patronage distributions payable to members	\$ --	\$11	\$80	\$125	\$80

There was no patronage distribution to members accrued for the year ended December 31, 2009. The patronage distributions accrued for the years ended December 31, 2008, 2007, 2006, and 2005 were distributed in cash during the first quarter of each following year. No income was distributed to members in the form of dividends, stock or allocated surplus during these time periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Delta Agricultural Credit Association

The following commentary reviews the consolidated financial position and consolidated results of operations of Delta Agricultural Credit Association and its subsidiaries and provides additional specific information. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations.

Forward-Looking Information

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "could", "estimate", "may", "should", "will", "expect", or other variations on these terms are intended to identify such forward-looking statements. These statements are based on assumptions and analyses made in light of experience, historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties; many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, and economic conditions and developments in the United States and abroad,
- fluctuations in the agricultural, energy, and financing sectors,
- economic conditions and credit performance of our loan portfolio,
- portfolio growth and seasonal factors,
- changes in our estimates underlying the allowance for loan losses,
- periodically occurring weather-related conditions and plant and animal disease that impact agricultural productivity and income and consumer demand,
- changes in United States government support of the agricultural industry, and
- bio-terrorism and other terrorism.

Loan Portfolio

Loan volume totaled \$26.5 million at December 31, 2009. The changes in loan volume for the last two years were as follows (in thousands):

Change in loan volume	2009 vs. 2008		2008 vs. 2007	
Accrual				
Mortgage	\$258	1.9%	\$4,714	51.6%
Commercial	998	8.7%	1,324	13.1%
Nonaccrual	(389)	(100.0%)	(309)	(44.3%)
Total loans	\$867	3.4%	\$5,729	28.7%

Our focus on marketing efforts along with commercial loan customers holding crops longer due to delayed harvest caused by weather conditions resulted in higher loan volume at December 2009 compared to December 2008.

Portfolio Distribution

We are chartered to serve certain counties in Arkansas. Approximately 83.0% of our total loan portfolio was in Ashley, Chicot, Desha, and Drew counties at December 31, 2009.

Our portfolio is concentrated in cotton, rice, soybeans, and corn/wheat. Due to the high concentration of row and cash crops, our loan portfolio is highly

seasonal. These loans are normally at lowest levels during the winter months because of operating repayments following harvest and then increase throughout the year as farmers borrow for operating and capital needs.

Financial Market Volatility

During 2009, the severe stress in the financial markets began to stabilize. Throughout this period of financial market volatility, we were able to access the debt capital markets across the yield curve to support the District mission of providing credit to farmers, ranchers and other eligible borrowers. This access enabled us to maintain appropriate levels of liquidity and a conservative asset/liability risk profile while continuing to offer a full array of loan products to our Associations. Associations throughout this period took many actions, including adjusting loan structures and payment terms, and in cases where it was reflective of credit risk, increased pricing to customers.

Agricultural and Economic Conditions

The Food, Conservation, and Energy Act of 2008 (FCEA/farm bill) was enacted into law in June 2008. FCEA includes significant federal financial support for wheat, feed grains, cotton, rice, oilseeds and dairy, largely continuing the same total level of financial support to agriculture, while changing the distribution and methods of allocating such support. FCEA also contains new, expanded assistance to certain specialty crops, and added price support and trade protection for domestically produced sugar. FCEA continues the direct payment, loan rate and countercyclical payments (CCP) programs from previous farm support legislation, but the levels of support provided by each program have changed. Such support may be unable to cover operating losses due to the dramatic changes in commodity prices for inputs as well as outputs. Also, FCEA provides a new income support program called Average Crop Revenue Election (ACRE), which provides countercyclical support to farmers of many major commodities and it is based on average statewide farm income of recent years rather than more local average incomes. Enrollment in ACRE is low, however, so at an aggregate level ACRE is not a significant source of farm support. Instead, federal farm support revenue has shifted to subsidized crop insurance programs which, with revenue insurance products, now provide more federal support for farm operations than traditional farm support programs.

Net farm income reached record levels in 2008, but the forecast for 2009 is significantly lower. Strong agricultural economic conditions in 2008 were the result of record high prices for agricultural commodities through the third quarter and the continued positive impact of government programs, but those conditions have changed in 2009. The United States Department of Agriculture ("USDA") now forecasts 2009 net farm income to be \$57.0 billion in 2009, down \$30.0 billion (34.5%) from 2008. Although dramatically lower than 2008, 2009 will still likely rank as the 8th highest net farm income year in American farm history. Crop income is estimated to drop by \$18 billion, the largest drop in crop income in recent history. Net cash income, which is a better measure of farmers' ability to service or repay loans, is estimated at \$69.8 billion in 2009, down \$27.7 billion (28.4%) from 2008, and \$1.8 billion below its 10-year average of \$71.6 billion. Net cash income is projected to decline less than net farm income in part because net cash income reflects the sale of \$1.0 billion in carryover stocks from 2008. Net farm income reflects only the earnings from production that occurred in the current year.

Our rural lending territory consists of agriculture, aquaculture and silviculture production areas. This is a rural area with most economic influences being related to production of food fiber and timber. Delta ACA was formed to provide for the FLCA statuses granted by FCA in 2001. This expanded our lending authority which has enabled us to be more

competitive and provide a broader range of services to the eligible borrowers in our territory. This event created an over charter situation for our associations which includes all of our territory but excluding a large portion of AgHeritage Farm Credit Services' territory. Although we are at a territorial disadvantage, we are very competitive with all lenders in the area. We offer commercial and mortgage loan products at very competitive rates.

The greatest threat to our economic stability is economic volatility. This was highlighted by a spike in energy costs started by the hurricane damage in late 2005, speculative investing in the 2008 year and record rainfall in 2009. These adversities have provided economic opportunity for local producers to capitalize on the bio-energy movement. With fertile soils, long growing seasons and plentiful water supplies, there should be a good opportunity for most producers to improve their earnings position. In the interim, until farms can adjust from the affects of energy costs, the FSA guarantee program helps with our young beginning and small farmer program. When needed, FSA can shore up areas of high risk and provide our membership with an opportunity to continue in the business of production.

The mortgage portfolio grew faster than expectations in the past several years but the rate of growth subsided in 2009. The reduced mortgage loan volume growth was due primarily to the reduction in farm and timberland sales. The growth in mortgage loans is expected to increase in 2010 over 2009 due to the recovery of poultry economics and stabilization of farm production inputs.

In our commercial portfolio, primarily crop producers, loan volume was planned to increase over 2008. Considering the significant decline in energy cost, growth in this sector may be an optimistic forecast. The volatility has subsided on both the income and expense sides of the producer cash flow, making plans more reliable. Persistent cyclic adversity from external economic factors such as hurricanes and energy cost have reduced the numbers of crop producers and increased the size of operations significantly. This event has prompted us to participate in many commercial loans due to our regulatory lending limit. Although this does reduce loan volume, it also reduces our risk.

Although our commercial portfolio is concentrated in crop production, this risk is mitigated by government subsidies, crop insurance and FSA Loan Guarantees. Our mortgage portfolio continues to grow at a slower pace. Land values have held strong with an undersupply of properties for the market due to economic conditions. The risks inherit with financing eligible mortgage and commercial credits are manageable and profitable.

Analysis of Risk

The following table summarizes risk assets (accruing volume includes accrued interest receivable) and delinquency information (in thousands):

As of December 31	2009	2008	2007
Loans:			
Accruing restructured	\$ --	\$ --	\$ --
Past due 90 days or more still accruing	--	--	--
Nonaccrual loans	--	389	698
Total risk loans	--	389	698
Other property owned	--	--	--
Total risk assets	\$ --	\$389	\$698
Risk loans			
as a percentage of total loans	--	1.5%	3.4%
Total delinquencies			
as a percentage of total loans	0.5%	1.5%	3.4%

As of December 31, 2009, we no longer had any risk assets. The decrease in nonaccrual loans was due to government repayments on an FSA guaranteed loan and subsequent write-off of the remaining amount.

The credit quality of our portfolio improved during 2009. Adversely classified assets decreased from 0.1% of the portfolio at December 31, 2008, to having no adversely classified assets in our portfolio at December 31, 2009. Adversely classified assets are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, we use various government guarantee programs to reduce the risk of loss. At December 31, 2009, \$6.7 million of our loans were, to some level, guaranteed under these government programs.

Analysis of the Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as:

- loan loss history,
- portfolio quality, and
- current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

As of December 31	2009	2008	2007
Allowance as a percentage of:			
Loans	0.7%	0.5%	0.7%
Nonaccrual loans	--	31.6%	20.3%
Total risk loans	--	31.6%	20.3%
Net chargeoffs as a percentage			
of average loans	--	0.1%	0.3%
Adverse assets to risk funds	--	0.7%	6.0%

In our opinion, the allowance for loan losses was reasonable in relation to the probable losses in the loan portfolio at December 31, 2009.

Young, Beginning and Small Farmers and Ranchers

We have specific programs in place to serve the credit and related needs of young, beginning and small farmers and ranchers in our territory. The definitions of young, beginning and small farmers and ranchers (YBS) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than \$250 thousand in annual gross sales of agricultural or aquatic products.

Our Demographic Study Revision for farmers, ranchers and producers of aquatic products is based on our information from the end of fourth quarter 2009. The source of YBS information for the comparison of Young, Beginning, and Small Farmers in our territory is the 2002 USDA Census. Our portfolio statistics are based on number of loans, while the census data is based on number of farms. While the numbers are fairly similar, the difference in methodology should be taken into consideration. In addition, note that our association includes the counties of Ashley, Chicot, Desha, Drew, and Lincoln Counties. Only 30% of Lincoln County is in our territory.

The total number of Young, Beginning and Small farmers in our territory is 127 young farmers, 467 beginning farmers, and 481 small farmers. Our Young, Beginning and Small farmer program consists of 23 young farmers or 18% of the market, 65 beginning farmers or 13% of the market and 79 small farmers or 16% of the market in our territory.

There are approximately 30 agricultural lending institutions offices in our territory. We are 7% of these agricultural lending agencies. Our market share of the YBS producers exceeds our physical presence in the community. It is very difficult for a YBS operation to become a viable operation with today's economic, environmental, governmental, and social forces. Efforts have succeeded in creating a larger percentage of YBS numbers in our portfolio than exists in our territory. We will continue to emphasize YBS portfolio growth.

Mission Statement

Our mission is to provide support for the Young, Beginning, and Small farmers. As a farmer-owned cooperative, we will promote and assist these farmers with their careers by providing a competitive and dependable source of constructive credit.

Quantitative Goals

Annual quantitative targets for YBS farmers are to increase our volume in dollars by 3%.

Qualitative Goals and Outreach Programs

Annual qualitative goals for YBS farmers are to maintain our current borrowers as well as attract new YBS borrowers.

We have developed lending methodologies for YBS farmers. Credit factors have been specifically developed and are in use by the lending staff. The Farm Service Agency Guarantee Program is used in many cases to offset credit risk associated with the inadequate collateral or capital exhibited by many YBS farmers.

Safety and Soundness of the Program

We will review any loan request with the intent to make the loan if the credit and eligibility criteria can be met. We will use the FSA Guarantee Program to reduce risk associated with YBS loans, if applicable. The credit and services offered to YBS farmers are provided in a safe and sound manner.

Additional Loan Information

Additional loan information is included in Notes 3, 12, 13 and 14.

Results of Operations

The following table illustrates profitability information (in thousands):

For the year ended December 31	2009	2008	2007
Net income	\$170	\$182	\$141
Return on average assets	0.6%	0.7%	0.6%
Return on average members' equity	2.8%	3.1%	2.4%

While net income for the Association was \$170, the PCA side of our business had a net loss of \$18. This net loss on the PCA, our patronage paying entity, resulted in no patronage payout to our members for the year ended December 31, 2009.

Changes in these ratios relate directly to:

- changes in income as discussed below,
- changes in assets discussed in the Loan Portfolio section, and
- changes in members' equity discussed in the Capital Adequacy section.

The following table summarizes the changes in components of net income (in thousands):

	2009 vs. 2008	2008 vs. 2007
Increase (decrease) in net income		
Net interest income	\$103	\$75
Provision for loan losses	(74)	(2)
Patronage income	3	(14)
Financially related services and miscellaneous income, net	1	--
Operating expenses	(60)	(34)
(Reversal of) provision for income taxes	15	16
Total change in net income	(\$12)	\$41

Net Interest Income

Net interest income was \$934 thousand for the year ended December 31, 2009. The following table quantifies changes in net interest income (in thousands):

	2009 vs. 2008	2008 vs. 2007
Change in net interest income due to:		
Changes in volume	\$101	\$11
Changes in rates	2	65
Changes in nonaccrual income and other	--	(1)
Net change	\$103	\$75

There was no income on nonaccrual loans in 2009 and 2008, while income on nonaccrual loans totaled \$1 thousand in 2007. Nonaccrual income is recognized when:

- received in cash,
- collection of the recorded investment is fully expected, and
- prior chargeoffs have been recovered.

Net interest margin (net interest income divided by average earning assets) was 3.4% in 2009, 3.4% in 2008, and 3.5% in 2007.

Provision for Loan Losses

The variance in the provision for loan losses is related to our estimate of losses in our portfolio, based upon our historical chargeoff rates and the overall economic conditions.

Patronage Income

We received patronage income based on the average balance of our note payable to AgriBank. AgriBank's Board of Directors sets the patronage rate. We recorded patronage income of \$68 thousand in 2009, \$54 thousand in 2008, and \$59 thousand in 2007. Changes in our note payable to AgriBank and patronage rate changes caused the variances in the patronage income amounts. The patronage rates paid by AgriBank were 30 basis points in 2009, 27 basis points in 2008, and 34 basis points in 2007.

We received another component of patronage, referred to as equalization income, from AgriBank. The quarterly average balance of any excess stock investment in AgriBank is used to determine this amount. Additionally, we earn equalization on any stock investment in AgriBank required to be held when our growth exceeds a targeted growth rate. The equalization rate is set by AgriBank's Board of Directors and is targeted at the average cost of funds for all affiliated associations as a group. Equalization income totaled \$18 thousand for 2009, \$29 thousand for 2008, and \$38 thousand for 2007.

Operating Expenses

The following presents a comparison of operating expenses by major category and the operating rate (operating expenses as a percentage of average earning assets) for the past three years (in thousands):

For the year ended December 31	2009	2008	2007
Salaries and benefits	\$481	\$459	\$450
Purchased and vendor services	123	93	92
Communications	13	13	12
Occupancy and equipment	41	40	34
Advertising and promotion	23	24	16
Examination	20	20	20
System insurance	41	30	26
Other	55	58	53
Total	\$797	\$737	\$703
Operating rate	2.9%	3.0%	3.2%

The operating expense increases were primarily related to salaries and benefits, purchased and vendor services, and System insurance expense.

Provision for Income Taxes

We reversed tax expense of \$15 thousand for the year ended December 31, 2009, due to a tax refund for a prior year loss carry forward. We had no tax expense for 2008 and \$16 thousand of tax expense for 2007. Patronage distributions to members reduced our tax liability in 2008 and 2007. See Note 9 for additional discussion.

Funding and Liquidity

We borrow from AgriBank under a note payable, in the form of a line of credit, as described in Note 7. During 2009, our average balance was \$22.8 million with an average interest rate of 3.2%. Our average balance during 2008 was \$20.0 million with an average interest rate of 4.1% and during 2007 our average balance was \$17.4 million with an average interest rate of 5.4%. Our other source of lendable funds is from unallocated surplus.

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank. At December 31, 2009, we had \$9.8 million available under our line of credit. We generally apply excess cash to this line of credit.

We offer variable, fixed, and adjustable interest rate loan programs to our borrowers. We determine interest margins charged on each lending program based on:

- cost of funds,
- market conditions, and
- the need to generate sufficient earnings.

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our interest rate risk.

Capital Adequacy

Total members' equity increased \$169 thousand during 2009 due to net income for the period.

Members' equity position information is as follows (in thousands):

As of December 31	2009	2008	2007
Members' equity	\$6,177	\$6,008	\$5,685
Surplus as a percentage of members' equity	77.6%	77.0%	78.3%
Permanent capital ratio	19.1%	20.6%	25.8%
Total surplus ratio	14.2%	15.3%	19.7%
Core surplus ratio	12.5%	13.2%	16.6%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

At December 31, 2009, our permanent capital, total surplus, and core surplus ratios significantly exceeded the regulatory minimum requirements. See Note 8 for further discussions of these regulatory ratios.

In addition to these regulatory requirements, we establish an optimum permanent capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. As of December 31, 2009, our optimum permanent capital target was 18%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional members' equity information is included in Note 8.

For the year ended December 31, 2009, no patronage was accrued or paid to our patrons due to a net loss on the PCA side of our business.

Relationship with AgriBank

Borrowings

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement, as discussed in Note 7, governs this lending relationship.

Cost of funds under the General Financing Agreement includes:

- a marginal cost of debt component,
- a spread component, which includes cost of servicing and bank profit, and
- a risk premium component, if applicable.

In the periods presented, we were not subject to the risk premium component. Effective in 2010, an additional 2.8 basis points has been added to the spread component related to the cost of AgriBank's new liquidity plan. Effective January 1, 2010, we are subject to a 1 basis point risk premium. We are subject to the risk premium due to the effect of our borrower concentration on our risk score. If we meet certain financial measures by the end of 2010, we are able to earn back all or a portion of the 2010 risk premium amount. The marginal cost of debt approach simulates match funding the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to borrowers. This methodology substantially protects us from interest rate risk.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing previously distributed AgriBank surplus. As of December 31, 2009, we were required to maintain a common stock investment equal to 2.5% of the average quarterly balance of our note payable to AgriBank plus an additional 1% on growth that exceeded a targeted rate. AgriBank's current bylaws allow AgriBank to increase the required investment to 4%.

At December 31, 2009, our entire investment in AgriBank consisted of stock representing distributed AgriBank surplus. For the periods presented in this report, we have received no dividend income on this stock investment and we do not anticipate any in future years.

Patronage

We receive different types of discretionary patronage from AgriBank. AgriBank's Board of Directors sets the level of patronage for each of the following:

- patronage on our note payable with AgriBank, and
- equalization income based on our preferred stock or growth required stock investment in AgriBank.

Beginning in 2009, patronage income on our note payable with AgriBank was received in the form of cash and AgriBank stock.

Purchased Services

We purchase various services from AgriBank including certain:

- information systems,
- financial services,
- human resource services,
- accounting and reporting services, and
- retail product processing and support.

The total cost of services we purchased from AgriBank was \$85 thousand in 2009, \$72 thousand in 2008, and \$67 thousand in 2007.

Affect on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially affect our members' investment. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports contact us at P.O. Box 750, Dermott, AR 71638, (870) 538-3258 or contact AgriBank at 375 Jackson Street, St. Paul, MN 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The reports are also available through AgriBank's website at www.agribank.com.

To request a free copy of our annual or quarterly reports contact us as stated above. The annual report is available on our website 75 days after the end of the calendar year and members are provided a copy of such report 90 days after the end of the year. The quarterly reports are available on our website 40 days after the end of each calendar quarter.

Relationship with Other Farm Credit Institutions

Insight Technology Unit

We participate in the Insight Technology Unit with other AgriBank District associations to facilitate the development and maintenance of certain technology systems essential to providing credit to our borrowers. The Insight Technology Unit is governed by representatives of each participating association. The expenses are shared prorata based on the number of loans and leases of each participant.

REPORT OF MANAGEMENT

Delta Agricultural Credit Association



We prepare the consolidated financial statements of Delta Agricultural Credit Association (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements, in our opinion, fairly present the financial condition of Delta Agricultural Credit Association. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. They also conduct a review of internal controls to the extent necessary to comply with generally accepted auditing standards in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of Delta Agricultural Credit Association.

The undersigned certify we have reviewed Delta Agricultural Credit Association's annual report and it has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Mike Norris
Chairperson of the Board
Delta Agricultural Credit Association



Mark Kaufman
Chief Executive Officer
Delta Agricultural Credit Association



Mary Ann Johnson
Chief Financial Officer
Delta Agricultural Credit Association

March 3, 2010

REPORT OF AUDIT COMMITTEE

Delta Agricultural Credit Association



The consolidated financial statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of the entire Board of Directors of Delta Agricultural Credit Association (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as our independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2009, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC such other matters and received such assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Annual Report for the year ended December 31, 2009.

A handwritten signature in black ink that reads "Mike Norris".

Mike Norris
Chairperson of the Audit Committee
Delta Agricultural Credit Association

W.C. Mencer
Billy Hunter
C. Randall Cox
Kim Ellington
Al Beaty

March 3, 2010

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Report of Independent Auditors

To the Board of Directors and Members of
Delta Agricultural Credit Association

In our opinion, the accompanying consolidated statement of condition and the related consolidated statements of income, of changes in members' equity and of cash flows present fairly, in all material respects, the financial position of Delta Agricultural Credit Association (the Association) and its subsidiaries at December 31, 2009, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

March 3, 2010

CONSOLIDATED STATEMENT OF CONDITION

Delta Agricultural Credit Association

(Dollars in thousands)

As of December 31	2009	2008	2007
ASSETS			
Loans	\$26,538	\$25,671	\$19,942
Allowance for loan losses	194	123	142
Net loans	26,344	25,548	19,800
Investment in AgriBank, FCB	1,212	1,196	1,196
Accrued interest receivable	693	765	631
Premises and equipment, net	44	29	37
Other assets	255	223	200
Total assets	\$28,548	\$27,761	\$21,864
LIABILITIES			
Note payable to AgriBank, FCB	\$22,017	\$21,357	\$15,701
Accrued interest payable	182	224	229
Patronage distribution payable	--	11	80
Other liabilities	172	161	169
Total liabilities	22,371	21,753	16,179
MEMBERS' EQUITY			
Protected member's equity	17	17	17
Capital stock	1,366	1,367	1,215
Unallocated surplus	4,794	4,624	4,453
Total members' equity	6,177	6,008	5,685
Total liabilities and members' equity	\$28,548	\$27,761	\$21,864

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

CONSOLIDATED STATEMENT OF INCOME

Delta Agricultural Credit Association

(Dollars in thousands)

Year ended December 31	2009	2008	2007
Interest income	\$1,654	\$1,662	\$1,701
Interest expense	720	831	945
Net interest income	934	831	756
Provision for loan losses	76	2	--
Net interest income after provision for loan losses	858	829	756
Other income			
Patronage income	86	83	97
Financially related services and miscellaneous income, net	8	7	7
Total other income	94	90	104
Operating expense			
Salaries and employee benefits	481	459	450
Other operating expense	316	278	253
Total operating expense	797	737	703
Income before income taxes	155	182	157
(Reversal of) provision for income taxes	(15)	--	16
Net income	\$170	\$182	\$141

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

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Delta Agricultural Credit Association

(Dollars in thousands)

	Protected Members' Equity	Capital Stock	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2006	\$18	\$1,384	\$4,392	\$5,794
Net income			141	141
Unallocated surplus designated for patronage distribution			(80)	(80)
Capital stock issued		488		488
Capital stock retired	(1)	(657)		(658)
Balance at December 31, 2007	17	1,215	4,453	5,685
Net income			182	182
Unallocated surplus designated for patronage distribution			(11)	(11)
Capital stock issued		439		439
Capital stock retired		(287)		(287)
Balance at December 31, 2008	17	1,367	4,624	6,008
Net income			170	170
Capital stock issued		426		426
Capital stock retired		(427)		(427)
Balance at December 31, 2009	\$17	\$1,366	\$4,794	\$6,177

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Delta Agricultural Credit Association

(Dollars in thousands)

Year ended December 31	2009	2008	2007
Cash flows from operating activities			
Net income	\$170	\$182	\$141
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	9	9	7
Provision for loan losses	76	2	--
Stock patronage received from AgriBank, FCB	(16)	--	--
Decrease (increase) in accrued interest receivable	13	(162)	(2)
(Increase) decrease in other assets	(32)	(23)	6
Decrease in accrued interest payable	(42)	(5)	(33)
Increase (decrease) increase in other liabilities	11	(8)	(21)
Total adjustments	19	(187)	(43)
Net cash provided by (used in) operating activities	189	(5)	98
Cash flows from investing activities			
(Increase) decrease in loans, net	(757)	(5,520)	731
Purchases of premises and equipment	(24)	(1)	(23)
Net cash (used in) provided by investing activities	(781)	(5,521)	708
Cash flows from financing activities			
Increase (decrease) in note payable to AgriBank, FCB, net	660	5,656	(551)
Patronage distributions paid	(11)	(80)	(126)
Capital stock retired, net	(57)	(50)	(129)
Net cash provided by (used in) financing activities	592	5,526	(806)
Net change in cash	--	--	--
Cash at beginning of year	--	--	--
Cash at end of year	\$ --	\$ --	\$ --
Supplemental schedule of non-cash activities			
Stock financed by loan activities	\$348	\$379	\$341
Stock applied against loan principal	269	177	381
Interest transferred to loans	36	28	26
Patronage distributions payable to members	--	11	80
Supplemental information			
Interest paid	\$762	\$836	\$978
Taxes paid	3	5	6

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Delta Agricultural Credit Association

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

Farm Credit System Lending Institutions: The Farm Credit System is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. At December 31, 2009, the Farm Credit System consisted of four Farm Credit Banks, one Agricultural Credit Bank, and 89 associations. AgriBank and its affiliated associations are collectively referred to as the District. At December 31, 2009, the District consisted of seventeen Agricultural Credit Associations that each have wholly-owned Federal Land Credit Association and Production Credit Association subsidiaries. Federal Land Credit Associations are authorized to originate long-term real estate mortgage loans. Production Credit Associations are authorized to originate short-term and intermediate-term loans. Agricultural Credit Associations are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are also authorized to provide lease financing options for agricultural purposes. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly, or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a Farm Credit System lending institution, but have operations that are functionally similar to the activities of eligible borrowers. Associations are also authorized to purchase and hold certain types of investments.

Farm Credit System Regulator: The Farm Credit Administration (FCA) is authorized by Congress to regulate the Farm Credit System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

Farm Credit Insurance Fund: The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used:

- to insure the timely payment of principal and interest on Farm Credit Systemwide debt obligations,
- to insure the retirement of protected borrower capital at par or stated value, and
- for other specified purposes.

At the discretion of the Insurance Corporation, the Insurance Fund is also available to provide assistance to certain troubled Farm Credit System institutions and for the operating expenses of the Insurance Corporation. Each Farm Credit System bank has been required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound.

Effective July 1, 2008, the basis for assessing premiums was changed from loans to debt outstanding. Adjustments to debt outstanding are made for nonaccrual loans and impaired investments which are assessed a surcharge and guaranteed loans which are deductions to the premium

base. AgriBank, in turn, assesses the associations premiums each year based on these same factors. Prior to July 1, 2008, the premiums were based on annual average loan principal outstanding and AgriBank assessed the associations' annual premiums based on the average principal outstanding of accrual and nonaccrual loans of the associations.

Association

Delta Agricultural Credit Association and its subsidiaries, Delta Federal Land Credit Association and Delta Production Credit Association are lending institutions of the Farm Credit System. We are a member-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Ashley, Chicot, Desha, Drew and part of Lincoln in the state of Arkansas.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short-term and intermediate-term loans.

We offer credit life insurance for borrowers and those eligible to borrow.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements present the consolidated financial results of Delta Agricultural Credit Association (the parent) and Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Loans: Mortgage loan terms range from 5 to 40 years at origination. Almost all commercial loans are made for agricultural production or operating purposes with original loan terms of 10 years or less.

Loans are carried at their principal amount outstanding. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Loan fees are recorded as an offset to the related origination costs. The net amount of these fees and expenses is not material to the consolidated financial statements taken as a whole.

We place loans in nonaccrual status when:

- principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or
- circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior chargeoffs. Nonaccrual loans may be returned to accrual status when:

- principal and interest are current,
- prior chargeoffs have been recovered,
- the ability of the borrower to fulfill the contractual repayment terms is fully expected, and
- the loan is not classified as doubtful or loss.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as:

- loan loss history,
- portfolio quality and concentration, and
- current economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance for impaired loans. A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. We generally measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- formally restructured loans, and
- loans that are 90 days or more past due and still accruing.

We record a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired.

Changes in the allowance for loan losses consist of provision activity, recorded as "Provision for loan losses" on the Consolidated Statement of Income, and chargeoffs and recoveries.

Investment in AgriBank: Accounting for our investment in AgriBank is on a cost plus allocated equities basis. The investment in AgriBank is in the form of Class P common stock and Class D preferred stock.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in current operating results. Maintenance and repairs are included in operating expense and improvements are capitalized.

Employee Benefit Plans: The defined contribution plan allows eligible employees to save for their retirement either pre-tax/post-tax or both with an employer match on a percentage of the employee's contributions. For employees hired after December 31, 2006, the defined contribution plan is the only retirement plan available, and we provide benefits under this plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

Certain employees participate in the defined benefit retirement plan of the Seventh Farm Credit District. The plan is comprised of two benefit formulas.

Effective October 1, 2001, all new benefits-eligible employees participate in the cash balance formula. Employees hired prior to October 1, 2001, were on the final average pay formula. These employees were given a one-time option to convert to the cash balance formula or to remain on a final average pay formula. The District plan utilizes the "Projected Unit Credit" actuarial method for financial reporting purposes and the "Entry Age Normal Cost" method for funding purposes. Effective January 1, 2007, the defined benefit retirement plan was closed to new employees.

We also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plan. Prior to December 1, 2008, retirees were also provided with a life insurance benefit. The anticipated cost of these benefits is accrued during the employees' active service period.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: The PCA accrues patronage distributions according to a prescribed formula approved by the Board of Directors. We pay the accrued patronage during the first quarter after each subsequent year.

Statement of Cash Flows: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The Financial Accounting Standards Board (FASB) guidance on "Fair Value Measurements" describes three levels of inputs that may be used to measure fair value.

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly;
- inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates and
- inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

We currently have no financial statement items required to be accounted for within the consolidated financial statements at fair value.

Recently Issued or Adopted Accounting Pronouncements

Effective January 1, 2009, we adopted accounting guidance for fair value measurements of nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures, but did not have an impact on our financial condition or results of operations.

In May 2009, the FASB issued guidance, "Subsequent Events", which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Under this Standard, subsequent events that arise from conditions that existed at the date of the balance sheet are recognized in the financial statements, while subsequent events that arise from conditions that did not exist as of the balance sheet date are not recognized in the financial statements. The guidance, which includes a required disclosure of the date through which an entity has evaluated subsequent events, was effective for interim or annual periods ending after June 15, 2009.

In June 2009, the FASB issued new guidance, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." This Codification became the source of authoritative U.S. generally accepted accounting principles recognized by the FASB. This guidance was effective for financial statements issued for interim and annual periods ending after September 15, 2009. This guidance impacted how we refer to guidance in our disclosures but did not have an impact on our financial condition or results of operations.

In December 2008, the FASB issued new guidance that expands the disclosures required in an employer's financial statements about pension and other postretirement benefits plan assets. The disclosures include more details about the categories of plan assets and information regarding fair value measurements. The guidance was effective for fiscal years ending after December 15, 2009. The impact of adoption resulted in additional District level benefit plan disclosures, but did not have an impact on our financial condition or results of operations.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by providing clarification of the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The guidance also requires additional disclosure about transfers of financial assets and a transferor's continuing involvement with transferred assets. This guidance is effective as of January 1, 2010. This guidance must be applied to transfers occurring on or after the effective date. Adoption of this guidance is not expected to have a material impact on our financial statements.

NOTE 3: LOANS

Loans consisted of the following (in thousands):

As of December 31, 2009	Amount	Percentage
Long-term agricultural mortgage	\$14,142	51.3%
Production	9,557	34.7%
Intermediate term	3,192	11.6%
Participations purchased	670	2.4%
Subtotal	\$27,561	100.0%
Participations sold	(1,023)	
Total loans	\$26,538	

As of December 31, 2008	Amount	Percentage
Long-term agricultural mortgage	\$13,864	50.9%
Production	9,917	36.4%
Intermediate term	2,758	10.1%
Participations purchased	694	2.6%
Subtotal	\$27,233	100.0%
Participations sold	(1,562)	
Total loans	\$25,671	

As of December 31, 2007	Amount	Percentage
Long-term agricultural mortgage	\$9,476	45.2%
Production	7,981	38.1%
Intermediate term	3,492	16.7%
Subtotal	20,949	100.0%
Participations sold	(1,007)	
Total loans	\$19,942	

Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration Regulations or General Financing Agreement limitations. The following table presents information regarding participations purchased and/or sold (in thousands):

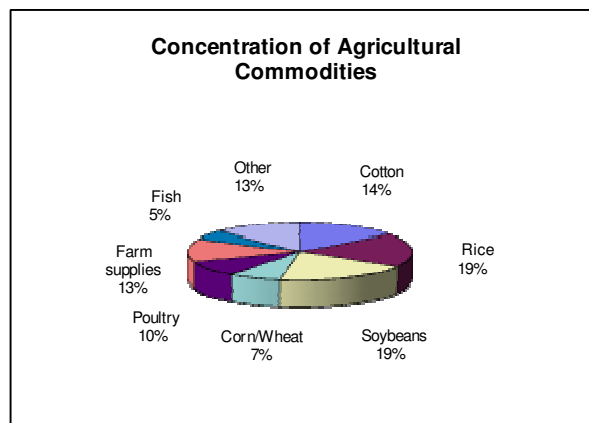
As of December 31, 2009	Participations	
	Purchased	Sold
Participations purchased from / sold to:		
AgriBank, FCB	\$ --	\$306
Other Farm Credit institutions	670	717
Total participations purchased/sold	\$670	\$1,023

Portfolio Concentrations

We have concentrations with individual borrowers, within various agricultural commodities and within our chartered territory.

At December 31, 2009, volume plus commitments to our ten largest borrowers exceeded our members' equity by \$2.8 million. The loans associated with these borrowers were primarily rated acceptable and well collateralized as of December 31, 2009.

Our agricultural commodity concentrations at December 31, 2009, were as follows:



The commodity concentrations have changed somewhat over the year with a slight decrease in corn/wheat, soybeans and rice, while seeing an

increase in other commodities. Poultry, fish and cotton concentrations remain fairly the same compared to prior years.

We are chartered to operate in certain counties in Arkansas. Approximately 83.0% of our total loan portfolio was in Ashley, Chicot, Desha and Drew counties at December 31, 2009.

While these concentrations represent our maximum potential credit risk as it relates to recorded loan principal, a substantial portion of our lending activities is collateralized. This reduces our exposure to credit loss associated with our lending activities. We consider credit risk exposure in establishing the allowance for loan losses.

Risk Loans

A loan is considered a risk loan if it is probable that we will be unable to collect all principal and interest according to the loan agreement. The following table presents risk loan information (in thousands). Accruing volume includes accrued interest receivable.

As of December 31	2009	2008	2007
Nonaccrual loans:			
Current as to principal and interest	\$ --	\$ --	\$ 1
Past due nonaccrual loans	--	389	697
Total nonaccrual loans	--	389	698
Accruing restructured loans	--	--	--
Loans past due 90 days or more still accruing	--	--	--
Total risk loans	\$ --	\$389	\$698
Volume with specific reserve	\$ --	\$ --	\$167
Volume without specific reserves	--	389	531
Total risk loans	\$ --	\$389	\$698
Total specific reserve	\$ --	\$ --	\$8
For year ended December 31	2009	2008	2007
Income on accrual risk loans	\$ --	\$ --	\$9
Income on nonaccrual loans	--	--	1
Total income on risk loans	\$ --	\$ --	\$10
Average recorded investment	\$195	\$459	\$838

We had no material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2009.

NOTE 4: ALLOWANCE FOR LOAN LOSSES

A summary of the changes in the allowance for loan losses follows (in thousands):

For the year ended December 31	2009	2008	2007
Balance at beginning of year	\$123	\$142	\$201
Provision for loan losses	76	2	--
Loan recoveries	--	23	--
Loan chargeoffs	(5)	(44)	(59)
Balance at end of year	\$194	\$123	\$142

The increase in allowance for loan losses is related to \$76 thousand provision expense we recorded in 2009 reflecting the current loan loss history and overall economic conditions.

NOTE 5: INVESTMENT IN AGRIBANK

At December 31, 2009, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable to AgriBank plus an additional 1% on growth that exceeded a targeted rate.

The following summarizes investment balances (in thousands):

	2009	2008	2007
As of December 31:			
Common stock	\$680	\$564	\$432
Preferred stock	532	632	764
Total investment	\$1,212	\$1,196	\$1,196

NOTE 6: PREMISES AND EQUIPMENT

Premises and equipment consisted of the following (in thousands):

As of December 31	2009	2008	2007
Land, buildings and improvements	\$213	\$192	\$192
Furniture and equipment	187	184	183
Subtotal	400	376	375
Less: accumulated depreciation	(356)	(347)	(338)
Total	\$44	\$29	\$37

NOTE 7: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a General Financing Agreement and our assets serve as collateral. The total line of credit was \$32.0 million and the outstanding principal under the line of credit was \$22.0 million as of December 31, 2009. The interest rate is adjusted monthly and was 2.9% at December 31, 2009. During 2009, our average balance was \$22.8 million with an average interest rate of 3.2%. Our average balance during 2008 was \$20.0 million with an average interest rate of 4.1% and during 2007 our average balance was \$17.4 million with an average interest rate of 5.4%. The maturity date is March 31, 2010, for our note payable, at which time the note will be renegotiated.

The General Financing Agreement provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2009, and throughout the year, we were within the specified limitations and in compliance with all debt covenants. Effective January 1, 2010, we are subject to a 1 basis point risk premium. We are subject to the risk premium due to the effect of our borrower concentration on our risk score. If we meet certain financial measures by the end of 2010, we are able to earn back all or a portion of the 2010 risk premium amount.

NOTE 8: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2% of the customer's total loan(s) or one thousand dollars, whichever is less for mortgage loans and 5% of the loan amount for commercial loans. In addition, during October, 2007, the Board approved a plan for all new intermediate term loans to have a stock purchase requirement of 2% of the customer's total loan(s) or one thousand dollars, whichever is less. The Board of Directors may increase the amount of

required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Protection Mechanisms

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988 as a requirement for obtaining a loan. If an association was unable to retire protected borrower equity at par value or stated value, the Farm Credit Insurance Fund would provide the amounts needed to retire this equity.

Regulatory Capitalization Requirements

Under capital adequacy regulations, we are required to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7%, and a core surplus ratio of at least 3.5%. The calculation of these ratios in accordance with Farm Credit Administration Regulations is discussed as follows:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At December 31, 2009, our ratio was 19.1%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At December 31, 2009, our ratio was 14.2%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank divided by average risk-adjusted assets. At December 31, 2009, our ratio was 12.5%.

We have an agreement with AgriBank which defines how our investment in AgriBank is allocated in calculating regulatory capital ratios. According to the agreement, we include in our ratios all preferred stock which is the amount of our investment in AgriBank that is in excess of the required amount. At December 31, 2009, we included 43.9%, at December 31, 2008, we included 52.9%, and at December 31, 2007, we included 63.9% of our investment in AgriBank as capital. These changes did not have a material impact on our regulatory capital ratios.

Description of Equities

The following table presents information regarding classes and number of shares of stock and participation certificates outstanding as of December 31, 2009. All shares and participation certificates were \$5.00 par value.

As of December 31, 2009	Shares Outstanding
Class A common stock (protected)	3,435
Class B common stock (at-risk)	1,242
Class C common stock (at-risk)	271,891

Under our bylaws, we are also authorized to issue Class D and Class E common stock, Series 2 participation certificates and Class F preferred stock. This stock is at-risk and nonvoting with a \$5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class C stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared during the last three years.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of the Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2009, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority:

- first, to holders of Class F preferred stock, and
- second, to all holders of common stock and participation certificates.

In the event of impairment, losses will be absorbed by concurrent impairment of all classes of stock and participation certificates and by holders of preferred stock; however, protected stock will be retired at par value regardless of impairment.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

For the year ended December 31, 2009, we did not accrue patronage distributions, due to a net loss on the PCA side of our business. However, we accrued \$11 thousand at December 31, 2008, and \$80 thousand at December 31, 2007. The patronage distributions were paid in cash during the first quarter of each subsequent year. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

The Farm Credit Administration Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. We do not foresee any events that would result in this prohibition in 2010.

NOTE 9: INCOME TAXES

(Reversal of) Provision for Income Taxes

Our (reversal of) provision for income taxes follows (in thousands):

For the year ended December 31	2009	2008	2007
Current:			
Federal	(\$15)	\$ --	\$14
State	--	--	2
Total current	(15)	--	16
Deferred:			
Federal	3	3	--
State	--	(3)	--
Write-off of deferred tax assets	(3)	--	--
Total deferred	--	--	--
(Reversal of) provision for income taxes	(\$15)	\$ --	\$16
Effective tax rate	(9.7%)	0.0%	10.2%

The following table quantifies the differences between the (reversal of) provision for income taxes and income taxes at the statutory rates (in thousands):

For the year ended December 31	2009	2008	2007
Federal tax at statutory rate	\$53	\$62	\$53
State tax, net	(1)	1	1
Patronage distributions	--	--	(27)
Effect of non-taxable entity	(64)	(55)	(17)
Valuation reserve on deferred tax asset	(3)	(3)	(21)
Surtax exemption and other	--	(5)	27
(Reversal of) provision for income taxes	<u><u>(\$15)</u></u>	<u><u>\$ --</u></u>	<u><u>\$16</u></u>

Deferred Income Taxes

Deferred tax assets and liabilities are composed of the following (in thousands):

As of December 31	2009	2008	2007
Allowance for loan losses	\$37	\$24	\$41
SFAS 106 accrual	27	28	29
Other assets	--	15	--
Net operating loss carryforward	--	--	--
Subtotal	64	67	70
Valuation allowance	(64)	(67)	(70)
Net deferred tax assets	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>
Gross deferred tax asset	<u><u>\$64</u></u>	<u><u>\$67</u></u>	<u><u>\$70</u></u>

A valuation reserve for the deferred tax assets was necessary at December 31, 2009, 2008, and 2007 because we determined that the deferred tax asset was not completely realizable due to our minimal current tax liability over the past several years, caused primarily by the patronage program.

We have not provided deferred income taxes on approximately \$1.2 million of patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. With respect to the AgriBank stock distributed in 2002, the Board of Directors has passed a resolution that, should this stock ever be converted to cash, creating a tax liability, an equal amount will be distributed to patrons at that time under the Association's patronage program. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of \$725 thousand as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

At December 31, 2009, we had no uncertain income tax positions.

NOTE 10: EMPLOYEE BENEFIT PLANS

Pension and Post Retirement Benefit Plans

Complete financial information for the pension and post retirement benefit plans may be found in the AgriBank, FCB and Affiliated Associations 2009 Annual Report.

In December 2007, the District adopted the FASB guidance on "Compensation – Retirement Benefits", which required the recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. The FASB guidance on "Compensation – Retirement Benefits" also requires that employers measure the benefit obligation and plan assets as of fiscal year end starting in 2008. The Standard allows for the use of the measurements determined for the prior year-end.

As disclosed in the District Annual Report, the defined benefit plans reflect an unfunded liability totaling \$239.8 million at December 31, 2009. Our individual association increases our prepaid pension asset when contributions are made and reduces our prepaid pension asset as annual expense is recorded. At December 31, 2009 to reflect the \$239.8 million unfunded liability on the District balance sheet, the District reversed the prepaid pension assets and recorded the unfunded position as a liability with an offsetting charge to accumulated other comprehensive income (AOCI). The \$239.8 million unfunded liability represents potential future contributions that may need to be made by the participating employers. The \$332.0 million recorded in AOCI represents potential future expense that may need to be recognized by the participating employers. The amount ultimately to be contributed and the amount ultimately recognized as expense, and the timing of those contributions and expenses, are subject to many variables including performance of plan assets and levels of interest rates. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements. Based on the District's methodology for allocating expenses and contributions at December 31, 2009, our share of the \$332.0 million potential future expense would be approximately \$467 thousand and our share of the \$239.8 million potential future cash contributions would be \$274 thousand. Please refer to the AgriBank, FCB and Affiliated Associations 2009 Annual Report for detailed disclosures under the FASB guidance on "Compensation – Retirement Benefits".

Pension: Certain employees participate in a District-wide multi-employer defined benefit retirement plan (the Plan). The Plan is noncontributory and covers eligible District employees. Benefits are based on salary and years of service. The assets, liabilities and costs of the plan are not segregated by participating entities. Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under the plan. We recognize our proportional share of expense and contribute a proportional share of funding. As a participant in the Plan, we contributed \$48 thousand for 2009, \$55 thousand for 2008 and \$25 thousand for 2007. Plan expenses included in salaries and employee benefits expense in the Consolidated Statement of Income were \$35 thousand for 2009, \$23 thousand for 2008, and \$32 thousand for 2007.

Life Insurance and Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plan. Prior to December 1, 2008, retirees were also provided with a life insurance benefit. The anticipated costs of these benefits are accrued during the period of the employee's active status. Postretirement benefits (primarily health care benefits and life insurance) included in salaries and employee benefits expense were \$4 thousand for 2009, \$2 thousand for 2008 and \$4 thousand for 2007.

Retirement Savings Plan

We also participate in a retirement savings plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2% and 50 cents on the dollar on the next 4% on both pre-tax and post-tax contributions. The maximum employer match is 4%. For employees hired after December 31, 2006, we contribute 3% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6% on both pre-tax and post-tax contributions. The maximum employer contribution is 9%. Employer contributions under the plan were \$18 thousand in 2009, \$13 thousand in 2008, and \$12 thousand in 2007.

NOTE 11: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions are subject to special approval requirements contained in

Farm Credit Administration Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2009, involved more than a normal risk of collectability.

The following table represents information on loans and leases to related parties as determined at each year end (in thousands):

	2009	2008	2007
As of December 31:			
Total related party loans and leases	\$3,657	\$2,983	\$3,131
For the year ended December 31:			
Advances to related parties	\$8,709	\$10,850	\$9,588
Repayments by related parties	8,396	10,306	9,401

The composition of related parties can be different each year end due primarily to changes in the makeup of the Board of Directors. Advances and repayments to related parties at the end of each year are included in the preceding chart.

We purchase various services from AgriBank including certain information systems, certain financial services, certain accounting and reporting services, certain human resource services, and selected retail product processing and support services. The total cost of services we purchased from AgriBank was \$85 thousand in 2009, \$72 thousand in 2008, and \$67 thousand in 2007.

NOTE 12: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We have commitments to extend credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk not recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. At December 31, 2009, we had commitments to extend credit of \$9.0 million.

Commitments to extend credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies.

NOTE 13: FAIR VALUE MEASUREMENTS

The FASB guidance on "Fair Value Measurements and Disclosures" 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. The guidance also establishes a fair value hierarchy,

with three levels of inputs that may be used to measure fair value. See Note 2 for a more complete description of the three input levels.

Non-Recurring Basis

We do not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2009 or December 31, 2008. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. However, we did not have any assets that had to be measured at fair value on a non-recurring basis at December 31, 2009 and December 31, 2008.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS

Quoted market prices are generally not available for our financial instruments. Accordingly, we base fair values on:

- judgments regarding future expected losses,
- current economic conditions,
- risk characteristics of various financial instruments,
- credit risk, and
- other factors.

These estimates involve uncertainties and matters of judgment and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimating the fair value of our investment in AgriBank is not practical because the stock is not traded. As discussed in Note 2 and Note 5, the investment is a requirement of borrowing from AgriBank.

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, for which it is practical to estimate that value, follows:

Loans: The estimate of the fair value of loan assets is determined by discounting the expected future cash flows using current interest rates. Current interest rates are estimated based on similar loans made or loans repriced to borrowers with similar credit risk. This methodology is used because no active market exists for the vast majority of these loans. Since the discount rates are based upon internal pricing mechanisms and other estimates, we cannot determine whether the fair values presented would equal the exit price negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of Farm Credit System borrowers, could render our portfolio unmarketable outside the Farm Credit System.

We segregate the loan portfolio into pools of loans with homogenous characteristics for purposes of determining fair value of accruing loans. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair value of nonaccrual loans, current as to principal and interest, are discounted with appropriately higher rates, reflecting the uncertainty of continued cash flows. We assume that for noncurrent nonaccrual loans, collection will result only from the sale of the underlying collateral. Fair value is estimated to equal the total net realizable value of the underlying collateral, discounted at an interest rate that appropriately reflects the uncertainty of the expected future cash flows over the average disposal period. We use the legal obligation if the net realizable value of the collateral exceeds the legal obligation for a particular loan.

Note Payable to AgriBank: Estimating the fair value of the note payable to AgriBank is determined by segregating the note into pricing pools according to the types and terms of the underlying loans funded. We discount the estimated cash flows from these pools using the current rate charged by AgriBank for additional borrowings with similar characteristics.

Commitments to extend credit: Estimating the fair value of commitments is determined by the inherent credit loss in such instruments.

The estimated fair value of our financial instruments is as follows (in thousands):

As of December 31, 2009	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	\$26,344	\$26,978
Financial liabilities:		
Note payable to AgriBank, FCB	\$22,017	\$22,361
Unrecognized financial instruments:		
Commitments to extend credit		(\$11)
As of December 31, 2008	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	\$25,548	\$25,663
Financial liabilities:		
Note payable to AgriBank, FCB	\$21,357	\$21,656
Unrecognized financial instruments:		
Commitments to extend credit		(\$11)
As of December 31, 2007	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	\$19,800	\$19,588
Financial liabilities:		
Note payable to AgriBank, FCB	\$15,701	\$15,809
Unrecognized financial instruments:		
Commitments to extend credit		(\$7)

NOTE 15: QUARTERLY FINANCIAL INFORMATION (Unaudited)

Quarterly consolidated results of operations for the years ended December 31, 2009, December 31, 2008 and December 31, 2007, follow (in thousands):

2009	First	Second	Third	Fourth	Total
Net interest income	\$173	\$202	\$283	\$276	\$934
(Reversal of) provision for loan losses	(33)	61	64	(16)	76
Patronage income	14	15	18	39	86
Other expense, net	202	193	196	198	789
(Reversal of) provision for income taxes	--	(18)	--	3	(15)
Net income (loss)	\$18	(\$19)	\$41	\$130	\$170
2008	First	Second	Third	Fourth	Total
Net interest income	\$156	\$189	\$264	\$222	\$831
Provision for (reversal of) loan losses	11	--	28	(37)	2
Patronage income	18	20	25	20	83
Other expense, net	185	180	180	185	730
(Reversal of) provision for income taxes	(1)	--	1	--	--
Net (loss) income	(\$21)	\$29	\$80	\$94	\$182
2007	First	Second	Third	Fourth	Total
Net interest income	\$171	\$180	\$218	\$187	\$756
(Reversal of) provision for loan losses	(16)	48	(32)	--	--
Patronage income	18	22	25	32	97
Other expense, net	165	169	172	190	696
Provision for income taxes	10	--	4	2	16
Net income (loss)	\$30	(\$15)	\$99	\$27	\$141

NOTE 17: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 3, 2010, which is the date the financial statements were issued.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Delta Agricultural Credit Association
(Unaudited)

DESCRIPTION OF BUSINESS

General information regarding the business is discussed in Note 1 of this annual report.

The description of significant business developments, if any, is discussed in the "Management's Discussion and Analysis" portion of this annual report.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding our properties:

Location	Description	Usage
Dermott, AR	Owned	Headquarters
Eudora, AR	Held for resale	Branch
Lake Village, AR	Leased	Branch
Monticello, AR	Leased	Branch

LEGAL PROCEEDINGS

Information regarding legal proceedings is discussed in Note 12 of this annual report. We were not subject to any enforcement actions at December 31, 2009.

DESCRIPTION OF CAPITAL STRUCTURE

Information regarding our capital structure is discussed in Note 8 of this annual report.

DESCRIPTION OF LIABILITIES

Information regarding liabilities is discussed in Note 7 and Note 12 of this annual report.

SELECTED FINANCIAL DATA

The "Consolidated Five-Year Summary of Selected Financial Data" is presented at the beginning of this annual report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the "Management's Discussion and Analysis" portion of this annual report.

BOARD OF DIRECTORS

Information regarding directors who served as of December 31, 2009, including business experience in the last five years and any other business interest where a director serves on the board of directors or as a senior officer follows:

W. C. Mencer, Vice Chairman of the Board. Mr. Mencer is a self-employed cotton and grain farmer. He is also a director of Chicot County Farm Bureau, Lake Village, AR, which is involved in agricultural services, insurance and promotional activities and he also serves as a director for Delta Grain & Gin, a cotton ginning and rice drying company in Dermott, AR. His current term on the board began in March 2008 and expires in March 2011.

Billy Hunter, is a self-employed cotton, grain and livestock farmer. He is also a director of Chicot County Farm Bureau, Lake Village, AR, which is involved in agricultural services, insurance and promotional activities. His current term on the board began in March 2008 and expires in March 2011.

C. Randall Cox, is a self-employed cotton and grain farmer. He is also a director of the Farmers Butane and Supply Co., Inc., McGehee, AR, a farm supply store. His current term on the board began in March 2009 and expires in March 2012.

Al Beaty, Outside Director, retired. He is also a director of Saline Ouachita Livestock, Monticello, AR, livestock sales. Mr. Beaty formerly served as ASCS County Executive Director. His current term on the board began in January 2009 and expires in January 2012.

Kim Ellington, is a self-employed grain and sod owner. His current term on the board began in March 2007 and expires in March 2010.

Mike Norris, Chairman of the Board, is a self-employed cotton and grain farmer. His current term on the board began in March 2009 and expires in March 2012.

Pursuant to our bylaws, directors are paid a per diem of \$125 per day for attendance at board meetings and other special meetings. Directors serving on the loan committee are paid a per diem of \$75 per day. Directors are also provided with \$100,000 24-hour Accidental Death and Dismemberment insurance coverage while traveling on Association business. The annual premium cost to us is \$20 per director.

Information regarding compensation for each director who served during 2009 follows:

	Number of Days Served		Compensation paid for service on a board committee	Name of Committee	Total Compensation Paid in 2009
	Board Meetings	Other Official Activities			
W. C. Mencer	6.0	1.0	\$75	Loan	\$825
Billy Hunter	8.0	18.0	1,350	Loan	2,475
		1.0	125	Special Mtgs.	
C. Randall Cox	8.0	1.0	125	Special Mtgs.	1,125
Al Beaty	7.0	1.0	125	Special Mtgs.	1,000
Kim Ellington	8.0	1.0	75	Loan	1,200
		1.0	125	Special Mtgs.	
Mike Norris	7.0	16.0	1,200	Loan	2,575
		4.0	500	Special Mtgs.	
Total	44.0	44.0	\$3,700		\$9,200

SENIOR OFFICERS

The senior officers include:

Mark W. Kaufman, Chief Executive Officer (CEO)
Keith Hunter, Vice-President (VP)
Mary Ann Johnson, Chief Financial Officer (CFO)

Mark Kaufman has been the CEO since June 2002. Keith Hunter has been the VP since January 2005. Mary Ann Johnson has been the CFO since January 1990. All of the senior officers have been with the Farm Credit System for the past five years. Keith Hunter is also a Director for the Chicot County Conservation District, Lake Village, AR, which is a soil and water conservation entity.

A summary of compensation earned by senior officers during 2009 follows (in thousands):

Name of individual	Year	Salary	Deferred/ Perquisites	Bonus	Total
Mark W. Kaufman	2009	\$79	\$ --	\$ --	\$79
	2008	78	--	--	78
	2007	75	--	--	75
Aggregate number of Senior Officers: (does not include CEO compensation)					
Four	2009	\$173	\$ --	\$4	\$177
Four	2008	167	--	4	171
Four	2007	159	--	4	163

Members may request information on the compensation paid during 2009 to the individuals included in the preceding table.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is discussed in Note 11 of this annual report.

TRAVEL, SUBSISTENCE AND OTHER RELATED EXPENSES

Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at P.O. Box 750, Dermott, AR 71638, (870) 538-3258.

The total directors' travel, subsistence and other related expenses were \$4 thousand in 2009, \$9 thousand in 2008, and \$3 thousand in 2007.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2010 or at any time during 2009.

MEMBER PRIVACY

Farm Credit Administration Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our association or our members not normally contained in published reports or press releases.

RELATIONSHIP WITH QUALIFIED PUBLIC ACCOUNTANT

There were no changes in independent auditors since the last annual report to members and we are in agreement with the opinion expressed by the independent auditors. The total fees paid during 2009 were \$7 thousand. The fees paid were for audit services.

FINANCIAL STATEMENTS

The "Report of Management", "Report of Audit Committee", "Report of Independent Auditors", "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" are presented prior to this portion of the annual report.

CREDIT AND SERVICES TO YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Information regarding credit and services to young, beginning, and small farmers and ranchers and producers or harvesters of aquatic products is discussed in the "Management's Discussion and Analysis" portion of this annual report.

EQUAL EMPLOYMENT OPPORTUNITY

We are an equal opportunity employer. It is our policy to provide equal employment opportunity to all persons regardless of race, national origin, religion, age, sex, disability, marital status, veteran status, public assistance status, or any other condition or status covered by law. We comply with all state and local equal employment opportunity regulations. We conduct all personnel decisions and processes relating to our employees and job applicants in an environment free of discrimination and harassment.

DELTA AGRICULTURAL CREDIT ASSOCIATION

Policy: FUNDS HELD

Purpose

The purpose of this policy is to establish standardized documentation and procedures on the uses of the Funds Held feature.

Policy

Funds Held Account Purpose. It is the intention of the Association to make available the Funds Held feature to borrowers for the purpose of escrowing available funds to be applied to future scheduled payments of principal, interest payable, and other collateral expenses such as property taxes and insurance.

Funds Held Account Balance Maximum. Funds Held principal balance cannot exceed the related loan's outstanding principal balance. Recommended maximum balance not to exceed the equivalent of 50% of the current outstanding principal loan balance.

Interest Paid on Funds Held. Interest paid on Funds Held balances will be equal to the current Bill Rate charged on the respective loan account. Interest paid shall not exceed the rate charged on the related loan(s).

A 1099-INT Form will be sent to borrowers and reported to the IRS in accordance with IRS regulations. Funds Held interest income will be reported on an "accrual basis," as opposed to 1098 Interest Paid reporting which is on a "cash basis."

Availability of Funds Held Balances for Withdrawal. The Association wishes to avoid potential abuse of this feature. The Association is not a chartered depository institution. Therefore, a Funds Held account cannot be treated as a deposit account from which funds can be withdrawn on demand.

However, withdrawals may be approved by management, on an exception basis, not to exceed FOUR withdrawals per calendar year per loan.

Borrowers shall be provided adequate disclosures regarding:

- The fact that Funds Held balances are uninsured, including an explanation of the risk in the event of liquidation of the institution;
- Limits on amounts that can be paid into Funds Held;
- Interest rates that will be paid; and
- Withdrawal guidelines or restrictions.

Responsibility

The management will be responsible for monitoring and approving Funds Held withdrawals. The management may delegate Funds Held withdrawal approvals to branch managers.

Association management shall report to the Board of Directors, on an annual basis, information concerning customer's use of the Funds Held account.

The Board of Directors will periodically review the adequacy of the provisions of this policy.



Delta Agricultural Credit Association

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