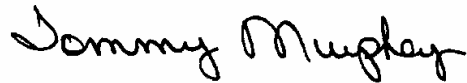
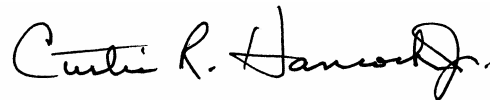


FIRST QUARTER 2007

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Tommy Murphey
Chief Executive Officer



Curtis R. Hancock, Jr.
Chairman of the Board

April 27, 2007

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Jackson Purchase Agricultural Credit Association (Association) for the period ended March 31, 2007. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2006 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including corn, soybeans, poultry, and tobacco. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2007, was \$230,993, a decrease of \$21,746, as compared to \$252,739 at December 31, 2006. Net loans outstanding at March 31, 2007, were \$229,940 as compared to \$251,687 at December 31, 2006. Net loans accounted for 87.88 percent of total assets at March 31, 2007, as compared to 86.50 percent of total assets at December 31, 2006. The decrease in gross and net loan volume during the reporting period is primarily attributable to seasonal paydown on production loans.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory. Nonaccrual loans decreased from \$894 at December 31, 2006, to \$805 at March 31, 2007. This decrease is primarily the result of normal collection procedures.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2007, was \$1,053 compared to \$1,052 at December 31, 2006, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2007

Net income for the three months ended March 31, 2007, totaled \$892, as compared to \$916 for the same period in 2006. Net interest income decreased \$1 for the three months ended March 31, 2007, as compared to the same period in 2006.

Noninterest income for the three months ended March 31, 2007, totaled \$566, as compared to \$535 for the same period of 2006, an increase of \$31. The increase is primarily the result of an increase in equity in earnings of other Farm Credit institutions and other noninterest income. Noninterest expense for the three months ended March 31, 2007, increased \$63 compared to the same period of 2006. The primary reasons for the increase in noninterest expense were an increase in salaries and employee benefits, occupancy and equipment, and other miscellaneous operating expenses.

Nonaccrual income was \$7 for the three months ended March 31, 2007, as compared to \$11 for the same period in 2006. The Association recorded a provision for loan loss of \$0 for the three months ended March 31, 2007, as compared to \$8 for the same period in 2006.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association and approximately 75% of the Association's own funds. The total notes payable to the Bank at March 31, 2007, was \$212,978 compared to \$243,292 at December 31, 2006.

CAPITAL RESOURCES

Total members' equity at March 31, 2007, increased to \$38,576 from the December 31, 2006, total of \$37,822. The increase is primarily attributed to income generated through the first quarter.

Total capital stock and participation certificates were \$1,949 on March 31, 2007, compared to \$1,947 on December 31, 2006.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2007, the Association's total surplus ratio and core surplus ratio were 14.79 percent and 13.58 percent, respectively, and the permanent capital ratio was 15.67 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS

On September 29, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 - Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Standard is effective for employers with publicly traded securities for the fiscal year ending after December 15, 2006 and for employers without publicly traded securities for the fiscal year ending after June 15, 2007. The Association will be required to implement the Standard for the year ended December 31, 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year-end financial statements. Currently, the Association uses a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year-end is effective for fiscal years ending after December 15, 2008. The Association is currently evaluating the impact of implementing this Standard. It is anticipated that the impact from the implementation of this Standard will have no impact on the income statement and, based on the current funded status of the defined benefit plans, it is not expected to have a material or significant impact on the balance sheet.

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 316, or writing Wanda Martin, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling (270) 247-5613, writing Malinda Scoggins, Administrative Services Manager, Jackson Purchase ACA, P. O. Box 309, Mayfield, KY 42066, or accessing the website, www.jacksonpurchaseaca.com. The Association prepares a quarterly report within 45 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Jackson Purchase Agricultural Credit Association

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2007 <i>(unaudited)</i>	December 31, 2006 <i>(audited)</i>
Assets		
Cash	\$ 1,415	\$ 4,253
Investment securities, held to maturity	17,801	19,427
Loans	230,993	252,739
Less: allowance for loan losses	1,053	1,052
Net loans	229,940	251,687
Other investments, held to maturity	1,909	2,067
Accrued interest receivable	4,304	5,672
Investment in other Farm Credit institutions	3,685	3,685
Premises and equipment, net	1,321	1,312
Prepaid retirement expense	147	194
Due from AgFirst Farm Credit Bank	408	1,975
Other assets	720	691
Total assets	\$ 261,650	\$ 290,963
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 212,978	\$ 243,292
Accrued interest payable	1,061	1,202
Patronage refund payable	27	1,380
Other liabilities	9,008	7,267
Total liabilities	223,074	253,141
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	1,949	1,947
Retained earnings		
Allocated	12,830	12,776
Unallocated	23,797	23,099
Total members' equity	38,576	37,822
Total liabilities and members' equity	\$ 261,650	\$ 290,963

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

Jackson Purchase Agricultural Credit Association
Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended March 31,	
	2007	2006
Interest Income		
Loans	\$ 4,440	\$ 4,047
Investment securities	201	31
Other	29	27
Total Interest Income	4,670	4,105
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	3,168	2,639
Other	60	23
Total interest expense	3,228	2,662
Net interest income	1,442	1,443
Provision for (reversal of allowance for) loan losses	—	8
Net interest income after provision for (reversal of allowance for) loan losses	1,442	1,435
Noninterest Income		
Loan fees	56	97
Fees for financially related services	64	45
Equity in earnings of other Farm Credit institutions	408	370
Other noninterest income	38	23
Total noninterest income	566	535
Noninterest Expense		
Salaries and employee benefits	732	688
Occupancy and equipment	78	71
Insurance Fund premium	77	76
Other operating expenses	229	218
Total noninterest expense	1,116	1,053
Income before income taxes	892	917
Provision (benefit) for income taxes	—	1
Net income	\$ 892	\$ 916

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

Jackson Purchase Agricultural Credit Association
**Consolidated Statements of Changes in
Members' Equity**

(unaudited)

(dollars in thousands)

	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
		Allocated	Unallocated	
Balance at December 31, 2005	\$ 2,796	\$ 11,226	\$ 22,385	\$ 36,407
Net income			916	916
Capital stock/participation certificates issued	50			50
Capital stock/participation certificates retired	(50)			(50)
Distribution adjustment		(109)	(2)	(111)
Balance at March 31, 2006	\$ 2,796	\$ 11,117	\$ 23,299	\$ 37,212
Balance at December 31, 2006	\$ 1,947	\$ 12,776	\$ 23,099	\$ 37,822
Net income			892	892
Capital stock/participation certificates issued	56			56
Capital stock/participation certificates retired	(54)			(54)
Distribution adjustment		54	(194)	(140)
Balance at March 31, 2007	\$ 1,949	\$ 12,830	\$ 23,797	\$ 38,576

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

Notes to the Consolidated Financial Statements

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Jackson Purchase Agricultural Credit Association (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2006, are contained in the 2006 Annual Report to Shareholders. These unaudited first quarter 2007 consolidated financial statements should be read in conjunction with the 2006 Annual Report to Shareholders.

On September 29, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 – Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans. The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Standard is effective for employers with publicly traded securities for the fiscal year ending after December 15, 2006 and for employers without publicly traded securities for the fiscal year ending after June 15, 2007. The Association will be required to implement the Standard for the year ended December 31, 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year-end financial statements. Currently, the Association uses a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year-end is effective for fiscal years ending after December 15, 2008. The Association is currently evaluating the impact of implementing this Standard. It is anticipated that the impact from the implementation of this Standard will have no impact on the consolidated income statement and, based on the current funded status of the defined benefit plans, it is not expected to have a material or significant impact on the consolidated balance sheet.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles. The results for the three months ended March 31, 2007, are not necessarily indicative of the results to be expected for the year ending December 31, 2007.

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

The Association maintains an allowance for loan losses in accordance with generally accepted accounting principles. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2007, the allowance for losses is adequate in management’s opinion to provide for possible losses on existing loans.

Investment Securities: The Association, as permitted under the FCA regulations, holds investments for purposes of maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk. The Association’s investments are classified as held to maturity and accordingly have been reported at amortized cost. Purchased premiums and discounts are amortized by a two-step method using constant yield methodologies over a projected cash flow stream.

The Association reviews all investments that are in a loss position in order to determine whether the unrealized loss, which is considered an impairment, is temporary or permanent. In the event of permanent impairment, the cost basis of the investment would be written down to its fair value, and the realized loss would be included in current earnings.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
	2007	2006
Balance at beginning of period	\$ 1,052	\$ 1,150
Provision for (reversal of) loan losses	–	8
Loans (charged off), net of recoveries	1	(1)
Balance at end of period	<u>\$ 1,053</u>	<u>\$ 1,157</u>

NOTE 3 – EMPLOYEE BENEFIT PLANS

The Association participates in a defined benefit retirement plan with three other District associations. Pension costs were determined by an actuary on a separate entity basis.

The following is a table of the components of net periodic benefit (income) cost for the defined benefit retirement plan for the three months ended March 31, 2007:

	For the three months ended March 31,	
	2007	2006
Service cost	\$ 48	\$ 50
Interest cost	68	59
Expected return on plan assets	(85)	(79)
Amortization of prior service cost	14	12
Recognized net actuarial (gain) loss	1	12
Net periodic benefit (income) cost	<u>\$ 46</u>	<u>\$ 54</u>

As of March 31, 2007, no contributions have been made to the pension plan for 2007. Actuarial projections as of the last plan measurement date (September 30, 2006) did not anticipate any contributions for 2007; however, market conditions could impact discount rates and return on plan assets which could change this expectation, making contributions necessary before the next plan measurement date.

The Association also participates in Districtwide thrift and other postretirement benefit plans. The other postretirement benefit plan provides certain benefits (primarily health care) to its retirees.

The following is a table of retirement and postretirement benefit expense for the three months ended March 31, 2007:

	For the three months ended March 31,	
	2007	2006
Pension	\$ 46	\$ 54
Thrift/deferred compensation	29	26
Other postretirement benefits	(2)	(2)
Total	<u>\$ 73</u>	<u>\$ 78</u>