

FIRST QUARTER 2009

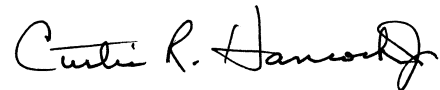
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CERTIFICATION

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


Stan Brunston
Chief Executive Officer


Curtis R. Hancock, Jr.
Chairman of the Board


Barbara Davis
Chief Financial Officer


Joe F. Campbell
Member of the Board of Directors
Chairman of the Audit Committee

April 23, 2009

Jackson Purchase Agricultural Credit Association

Report on Internal Control Over Financial Reporting

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

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

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



Stan Brunston
Chief Executive Officer



Barbara Davis
Chief Financial Officer

April 23, 2009

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

(dollars in thousands)

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

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including 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, 2009, was \$233,025, a decrease of \$30,711, as compared to \$263,736 at December 31, 2008. Net loans outstanding at March 31, 2009, were \$231,587 as compared to \$261,965 at December 31, 2008. Net loans accounted for 89.62 percent of total assets at March 31, 2009, as compared to 88.82 percent of total assets at December 31, 2008. 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 and credit administration remains satisfactory. Nonaccrual loans increased from \$2,017 at December 31, 2008, to \$2,578 at March 31, 2009. This increase is primarily the result of two borrower's loans being transferred to nonaccrual status during the period.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected

future conditions. The allowance for loan losses at March 31, 2009, was \$1,438 compared to \$1,771 at December 31, 2008, and was considered by management to be adequate to cover probable losses. The decrease in the allowance for loan losses was the result of a chargeoff in the amount of \$333 on one participation loan.

RESULTS OF OPERATIONS

For the three months ended March 31, 2009

Net income for the three months ended March 31, 2009, totaled \$1,080, as compared to \$1,331 for the same period in 2008. Net interest income decreased \$285 for the three months ended March 31, 2009, as compared to the same period in 2008. This decrease in net interest income is attributed primarily to a decrease in interest income and expense as a result of loans sold to AgFirst through the Capitalized Participation Pool (CPP) program.

Noninterest income for the three months ended March 31, 2009, totaled \$1,052 as compared to \$845 for the same period of 2008, an increase of \$207. The increase is primarily the result of an increase in gains on sale of rural home loans and an increase in equity in earnings of other Farm Credit institutions attributed to the loans sold to AgFirst through the CPP program. Noninterest expense for the three months ended March 31, 2009, increased \$173 compared to the same period of 2008. The primary reason for the increase in noninterest expense resulted from an increase in salaries and employee benefits.

Nonaccrual income was \$6 for the three months ended March 31, 2009, as compared to \$7 for the same period in 2008. The Association recorded a provision for loan loss of \$0 for the three months ended March 31, 2009, as compared to \$0 for the same period in 2008.

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

Jackson Purchase Agricultural Credit Association

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2009 <i>(unaudited)</i>	December 31, 2008 <i>(audited)</i>
Assets		
Cash	\$ 1,409	\$ 2,860
Investment securities:		
Held to maturity (fair value of \$8,922 and \$9,816 respectively)	8,963	9,889
Total investment securities	8,963	9,889
Loans	233,025	263,736
Less: allowance for loan losses	1,438	1,771
Net loans	231,587	261,965
Loans held for sale	225	352
Other investments	2,456	2,901
Accrued interest receivable	2,954	4,290
Investment in other Farm Credit institutions	7,543	7,881
Premises and equipment, net	1,597	1,415
Due from AgFirst Farm Credit Bank	740	2,510
Other assets	941	860
Total assets	\$ 258,415	\$ 294,923
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 203,571	\$ 237,734
Accrued interest payable	577	741
Patronage refund payable	35	1,460
Advanced conditional payments	7,877	5,716
Other liabilities	2,956	6,900
Total liabilities	215,016	252,551
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	1,983	2,015
Retained earnings		
Allocated	16,590	16,553
Unallocated	24,826	23,804
Total members' equity	43,399	42,372
Total liabilities and members' equity	\$ 258,415	\$ 294,923

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

Jackson Purchase Agricultural Association

Consolidated Statements of Income

(unaudited)

For the three months
ended March 31,

(dollars in thousands)

	2009	2008
Interest Income		
Investment securities	\$ 31	\$ 162
Loans	3,240	4,829
Other	34	30
	3,305	5,021
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	1,818	3,189
Other	30	90
	1,848	3,279
Net interest income	1,457	1,742
Provision for (reversal of allowance for) loan losses	—	—
	1,457	1,742
Noninterest Income		
Loan fees	64	177
Fees for financially related services	147	142
Equity in earnings of other Farm Credit institutions	739	476
Gains (losses) on sale of rural home loans, net	82	18
Other noninterest income	20	32
	1,052	845
Noninterest Expense		
Salaries and employee benefits	964	825
Occupancy and equipment	93	82
Insurance Fund premium	84	92
Other operating expenses	288	257
	1,429	1,256
Income before income taxes	1,080	1,331
Provision (benefit) for income taxes	—	—
	1,080	1,331
Net income	\$ 1,080	\$ 1,331

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, 2007	\$ 1,988	\$ 14,541	\$ 23,182	\$ 39,711
Net income			1,331	1,331
Capital stock/participation certificates issued/(retired), net	16			16
Patronage distribution adjustment		57	(91)	(34)
Balance at March 31, 2008	\$ 2,004	\$ 14,598	\$ 24,422	\$ 41,024
Balance at December 31, 2008	\$ 2,015	\$ 16,553	\$ 23,804	\$ 42,372
Net income			1,080	1,080
Capital stock/participation certificates issued/(retired), net	(32)			(32)
Patronage distribution adjustment		37	(58)	(21)
Balance at March 31, 2009	\$ 1,983	\$ 16,590	\$ 24,826	\$ 43,399

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

Jackson Purchase Agricultural Credit Association

Notes to the Consolidated Financial Statements

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements include the accounts of Jackson Purchase Agricultural Credit Association (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2008, are contained in the 2008 Annual Report to Shareholders. These unaudited first quarter 2009 consolidated financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

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

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

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

Effective January 1, 2009, the Association adopted Financial Accounting Standards Board (FASB) Statement of Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The impact of adoption resulted in additional fair value disclosures, primarily regarding other property owned, but does not have an impact on our financial condition or results of operations.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
	2009	2008
Balance at beginning of period	\$ 1,771	\$ 1,039
Provision for (reversal of) loan losses	-	-
Charge-offs	(333)	-
Recoveries	-	-
Balance at end of period	\$ 1,438	\$ 1,039

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

	2009	2008
Impaired loans with related allowance	\$ 181	\$ 70
Impaired loans with no related allowance	3,077	272
Total impaired loans	\$ 3,258	\$ 342
 Allowance on impaired loans	 \$ 56	 \$ 25

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

	2009	2008
Average impaired loans	\$ 2,669	\$ 979
Interest income recognized on impaired loans	9	17

NOTE 3 – EMPLOYEE BENEFIT PLANS

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

	For the three months ended March 31,	
	2009	2008
Pension	\$ 142	\$ 38
401(k)	34	34
Other postretirement benefits	(3)	(3)
Total	\$ 173	\$ 69

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

	Actual YTD Through 3/31/09	Projected Contributions For Remainder of 2009	Projected Total Contributions 2009
Pension	\$ -	\$ -	\$ -
Other postretirement benefits	-	-	-
Total	\$ -	\$ -	\$ -

NOTE 4 – FAIR VALUE MEASUREMENT

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

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

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

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

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Association has no Level 1 assets or liabilities measured at fair value on a recurring basis at March 31, 2009.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets and liabilities measured at fair value on a recurring basis at March 31, 2009.

Level 3

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	March 31, 2009			Total Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Standby letters of credit	\$	\$	\$ 41	\$ 41
Total Liabilities	\$	\$	\$ 41	\$ 41

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

	Standby Letters Of Credit
Balance at January 1, 2009	\$ 46
Total gains or (losses) realized/unrealized:	
Included in earnings	
Included in other comprehensive loss	
Purchases, sales, issuances and settlements, net	(5)
Transfers in and/or out of level 3	
Balance at March 31, 2009	\$ 41

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

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

	March 31, 2009				YTD Total Gains (Losses)
	Level 1	Level 2	Level 3	Total Fair Value	
Assets:					
Impaired loans	\$	\$	\$ 125	\$ 125	\$ -
Other property owned	\$	\$	\$ 333	\$ 333	\$ -