

Second Quarter

Report to Shareholders

(Unaudited)

As of June 30, 2010

***FARM CREDIT OF
SOUTHERN COLORADO, ACA***

NOTICE TO STOCKHOLDERS

The shareholders' investment in Farm Credit of Southern Colorado, ACA is materially affected by the financial condition and results of operations of U.S. AgBank, FCB (AgBank). The 2009 AgBank Annual Report to Shareholders, the 2009 AgBank District Annual Report to Shareholders, the AgBank quarterly shareholders' reports and the AgBank District quarterly shareholders' reports are available free of charge by accessing AgBank's website, www.usagbank.com, or may be obtained at no charge by contacting us at:

Farm Credit of Southern Colorado, ACA
3625 Citadel Drive South, PO Box 9290
Colorado Springs, Colorado 80932-0290
Phone Number: 800-815-8559

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in Thousands, Except as Noted)

(Unaudited)

The following discussion summarizes the financial position and results of operations of Farm Credit of Southern Colorado, ACA for the six months ended June 30, 2010, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2009 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

Coming into spring, the soil profile and mountain snowpack in our territory were good. In general, our territory received adequate moisture during the spring months and irrigation water allotments have been near 100%. However, in recent weeks severe storms have caused significant damage to property, crops and pasture in some areas. Despite the storms, the outlook continues to be favorable for both winter and spring planted crops. In general, cattle prices have improved while grain and potato prices are lower than 2009. Lower commodity prices with higher input costs will result in tighter margins for our producers. Real estate prices continue to be stable, although some declines are noted on properties which rely on recreational or urban influences, a result of the soft economic conditions.

We are a party to a shared lending operation known as the Agribusiness Finance Group (AFG). The agreement includes our association, Farm Credit Services of the Mountain Plains, ACA, Premier Farm Credit, ACA and Farm Credit of New Mexico, ACA. These associations pool their resources to coordinate and enhance the marketing, originating and servicing of large complex commercial and mortgage loans, as well as diversify risk.

LOAN PORTFOLIO

Loans outstanding at June 30, 2010 totaled \$714,138, a decrease of \$20,382, or 2.77%, from loans of \$734,520 at December 31, 2009. The decrease was primarily due to a decline in our net participation volume.

RESULTS OF OPERATIONS

Net interest income for the six months ended June 30, 2010 was \$9,446, an increase of \$669, or 7.62%, from the same period ended one year ago. Interest income increased as a result of an increase in interest rate spread

Net income for the six months ended June 30, 2010 was \$7,026, an increase of \$3,638, or 107.38%, from the same period ended one year ago. This is primarily due to the increase in net interest income, a decrease in provision for loan losses, an increase in noninterest income and a decrease in noninterest expense.

During the first six months of 2010, the provision for loan losses was \$507 compared to \$1,698 for the same time period in 2009. In 2009 we saw an increase in the overall risk profile of our loan portfolio caused by unprecedented volatility and uncertainty in the general economy and in various sectors of the agricultural industry. As a result, we increased our allowance for loan losses. During the first six months of 2010 our loan volume has decreased slightly and there's been some stabilization in the overall risk profile of the portfolio resulting in the decreased provision for loan losses compared to 2009.


Noninterest income as of June 30, 2010 was \$2,308, a \$1,450 or 169.00% increase from the same period one year ago. Beginning in 2009, patronage from AgBank was paid annually after the end of the year. During the first quarter of 2010, AgBank paid us \$1,147 in patronage based on AgBank's 2009 earnings. This compares to \$305 received during the first six months of 2009. During the first quarter of 2010, we also received our allocated portion of a rebate of \$775 distributed by the Farm Credit System Insurance Corporation (FCSIC).

Noninterest expense for the six months ended June 30, 2010 was \$4,221 a \$328 or 7.21% decrease from the same period ended one year ago. During the second quarter of 2010, FCSIC adjusted their premium rate from 10 basis points to 5 basis points for 2010. As a result, we recorded a reversal of FCSIC premium expense for the recognition of year to date expense at the 5 basis points. Future month's premium rates will be at the 5 basis point rate. The reduction in FCSIC expense was offset by a \$101 increase in salaries and benefits, a \$15 increase in supervisory and examination costs and a \$49 increase in net loss on other property owned due to a \$46 adjustment to the carrying value of the property as well as payment of real estate taxes for the property.

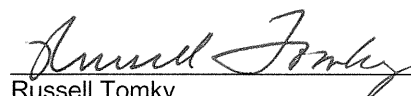
CAPITAL RESOURCES

Our shareholders' equity at June 30, 2010 was \$168,568, an increase from \$159,975 at December 31, 2009. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost and stock issuances.

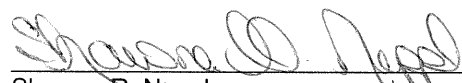
The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.



Gary Pautler
Chairman of the Board
August 2, 2010



Russell Tomky
CEO
August 2, 2010



Shawna R. Neppi
CFO
August 2, 2010

FARM CREDIT OF SOUTHERN COLORADO, ACA
CONSOLIDATED STATEMENT OF CONDITION
(Dollars in Thousands)

	June 30	December 31
	2010	2009
	UNAUDITED	AUDITED
ASSETS		
Loans	\$ 714,138	\$ 734,520
Less allowance for loan losses	3,391	3,401
Net loans	710,747	731,119
Cash	1,320	4,765
Accrued interest receivable	11,503	12,213
Investment in U.S. AgBank, FCB	20,064	20,064
Premises and equipment, net	2,564	2,383
Other property owned	2,957	3,003
Prepaid benefit expense	873	979
Deferred tax asset	20	20
Other assets	627	977
Total assets	\$ 750,675	\$ 775,523
LIABILITIES		
Note payable to U.S. AgBank, FCB	\$ 573,825	\$ 601,444
Advance conditional payments	467	94
Accrued interest payable	6,439	9,506
Patronage distributions payable	-	1,200
Accrued benefits liability	234	243
Other liabilities	1,142	3,061
Total liabilities	582,107	615,548
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Protected borrower stock	12	12
Preferred stock	12,060	10,414
Capital stock	1,453	1,486
Unallocated retained earnings	155,143	148,173
Accumulated other comprehensive income/(loss)	(100)	(110)
Total shareholders' equity	168,568	159,975
Total liabilities and shareholders' equity	\$ 750,675	\$ 775,523

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

FARM CREDIT OF SOUTHERN COLORADO, ACA
CONSOLIDATED STATEMENT OF INCOME
(Dollars in Thousands)

UNAUDITED	For the three months ended June 30		For the six months ended June 30	
	2010	2009	2010	2009
INTEREST INCOME				
Loans	\$ 9,533	\$ 9,958	\$ 19,476	\$ 19,693
Total interest income	9,533	9,958	19,476	19,693
INTEREST EXPENSE				
Note payable to U.S. AgBank, FCB	5,011	5,384	10,030	10,915
Other	-	-	-	1
Total interest expense	5,011	5,384	10,030	10,916
Net interest income	4,522	4,574	9,446	8,777
Provision for loan losses	294	1,050	507	1,698
Net interest income after provision for loan losses	4,228	3,524	8,939	7,079
NONINTEREST INCOME				
Financially related services income	32	43	58	73
Loan fees	140	202	257	418
Patronage distribution from U.S. AgBank, FCB	-	10	1,147	305
Farm Credit Insurance Fund rebate	-	-	775	-
Other noninterest income	23	1	71	62
Total noninterest income	195	256	2,308	858
NONINTEREST EXPENSE				
Salaries and employee benefits	1,355	1,252	2,640	2,539
Occupancy and equipment	92	96	200	201
Purchased services from AgVantis, Inc.	185	163	367	330
Loss on other property owned, net	51	3	52	3
Farm Credit Insurance Fund premium	(9)	335	162	681
Supervisory and examination costs	66	59	133	118
Other noninterest expense	314	333	667	677
Total noninterest expense	2,054	2,241	4,221	4,549
Net income	\$ 2,369	\$ 1,539	\$ 7,026	\$ 3,388

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

FARM CREDIT OF SOUTHERN COLORADO, ACA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in Thousands)

UNAUDITED	Protected Stock	Preferred Stock	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2008	\$ 21	\$ 10,877	\$ 1,517	\$ 144,179	\$ 42	\$ 156,636
Comprehensive income						
Net income				3,388		
Change in retirement obligation					(4)	
Total comprehensive income						3,384
Stock issued	-	22,381	275			22,656
Stock retired	(1)	(22,754)	(294)			(23,049)
Stock dividends paid		57		-		57
Stock dividends declared				(57)		(57)
Balance at June 30, 2009	\$ 20	\$ 10,561	\$ 1,498	\$ 147,510	\$ 38	\$ 159,627
Balance at December 31, 2009	\$ 12	\$ 10,414	\$ 1,486	\$ 148,173	\$ (110)	\$ 159,975
Comprehensive income						
Net income				7,026		
Change in retirement obligation					10	
Total comprehensive income						7,036
Stock issued	-	21,624	262			21,886
Stock retired	-	(20,034)	(295)			(20,329)
Stock dividends paid		56		-		56
Stock dividends declared				(56)		(56)
Balance at June 30, 2010	\$ 12	\$ 12,060	\$ 1,453	\$ 155,143	\$ (100)	\$ 168,568

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

NOTES TO FINANCIAL STATEMENTS

(Dollars in Thousands, Except as Noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of Southern Colorado, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2009, are contained in the 2009 Annual Report to Shareholders. These unaudited second quarter 2010 financial statements should be read in conjunction with the 2009 Annual Report to Shareholders.

Effective January 1, 2010, the Association adopted Financial Accounting Standards Board (FASB) guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurements by increasing transparency in financial reporting. The guidance will provide for a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on the Association's financial condition and results of operations but resulted in additional disclosures.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by improving the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets.

This guidance was effective January 1, 2010. This Statement must be applied to transfers occurring on or after the effective date. Additionally, the concept of a qualifying special purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance. If the evaluation results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. The Association reviewed its loan participation agreements to ensure that participations would meet the requirements for sales treatment and not be required to be consolidated. The impact of adoption on January 1, 2010 was immaterial to the Association's financial condition and results of operations.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations, and conform with generally accepted accounting principles and prevailing practices within the banking industry. The results for the six months ended June 30, 2010, are not necessarily indicative of the results to be expected for the year ended December 31, 2010.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the allowance for loan losses follows.

	June 30, 2010	June 30, 2009
Balance at beginning of year	\$ 3,401	\$ 2,588
Provision for loan losses	507	1,698
Charge-offs	552	203
Recoveries	35	0
Balance at end of period	\$ 3,391	\$ 4,083

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following presents information relating to impaired loans including accrued interest.

	June 30, 2010	June 30, 2009
Impaired loans with related allowance	\$ 6,229	\$ 8,872
Impaired loans with no related allowance	9,787	11,027
Total impaired loans	\$ 16,016	\$ 19,899
Allowance on impaired loans	\$ 1,008	\$ 1,593

The following table summarizes impaired loan information.

	For the six months ended	
	June 30, 2010	June 30, 2009
Average impaired loans	\$ 15,628	\$ 13,773
Interest income recognized on impaired loans	\$ 79	\$ 259

NOTE 3 - FAIR VALUE MEASUREMENTS

FASB guidance 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. See Note 2 to the 2009 Annual Report to Shareholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefits trusts				
June 30, 2010	\$ 179	\$ —	\$ —	\$ 179
December 31, 2009	\$ 573	\$ —	\$ —	\$ 573

During the first six months of 2010, the Association recorded no transfers in Levels 1, 2, or 3.

The Association had no liabilities measured at fair value on a recurring basis at June 30, 2010.

Assets and liabilities measured at fair value on a non-recurring basis at June 30, 2010 for each of the fair value hierarchy values are summarized below:

June 30, 2010	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Assets:					
Loans	\$ —	\$ —	\$ 4,387	\$ 4,387	\$ 1,255
Other property owned	\$ —	\$ —	\$ 3,146	\$ 3,146	\$ 46
December 31, 2009					
Assets:					
Loans	\$ —	\$ —	\$ 6,206	\$ 6,206	\$ 1,840
Other property owned	\$ —	\$ —	\$ 3,195	\$ 3,195	\$ 2,977

The Association had no liabilities measured at fair value on a non-recurring basis.

Valuation Techniques

As more fully discussed in Note 2 to the 2009 Annual Report to Shareholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used for the Association's assets and liabilities.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. 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 real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral value, which is generally determined using appraisals or other indications based on comparable sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 4 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 2, 2010, which is the date the financial statements were available to be issued.