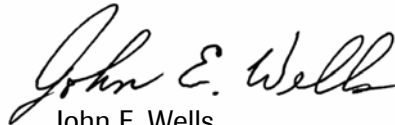


FIRST QUARTER 2007

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David E. Lawrence
Chief Executive Officer



John E. Wells
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 consolidated financial condition and results of operations of Farm Credit of the Virginias, ACA (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.

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 in our region, including livestock, timber, poultry and field crops. 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 impacts the level of dependency on a given commodity.

As of March 31, 2007, the gross loan volume of the Association was \$1,360,196. This was an increase of \$30,414 or 2.29 percent as compared to \$1,329,782 at December 31, 2006. The increase in gross loan volume was due to the continued demand for farm and real estate loans. Net loans outstanding at March 31, 2007, were \$1,357,768 as compared to \$1,327,337 at December 31, 2006. Net loans were 95.58 percent of total assets at March 31, 2007.

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 decreased from \$3,886 at December 31, 2006, to \$3,737 at March 31, 2007. The decrease was primarily the result of payments received on several loans and two loans being transferred to other property owned.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio. Factors considered in determining the allowance for loan losses were generally based on recent historical charge-off experience adjusted for relevant environmental factors. The allowance for loan losses at March 31, 2007, was \$2,428.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2007 totaled \$6,786, as compared to \$6,091 for the same period in 2006, an increase of \$695 or 11.41 percent. The increase in net income was primarily due to an increase in net interest income and noninterest income.

Net interest income increased \$597, or 7.48 percent, for the three months ended March 31, 2007, as compared to the same period in 2006. The increase in net interest income was mainly due the growth in loan volume and higher interest rates when compared to same quarter last year.

Noninterest income for the three months ended March 31, 2007, totaled \$2,757, as compared to \$2,360 for the same period of 2006, an increase of \$397 or 16.82%. The increase was primarily due to an increase in equity in earnings of AgFirst Farm Credit Bank and gains on the sale of loans into the secondary mortgage market.

Operating expenses for the three months ended March 31, 2007 totaled \$4,535. This was an increase of \$298 compared to the same period of 2006. The increase was mainly due to higher salaries and higher other operating expenses.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with 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 the funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2007, was \$1,197,218 as compared to \$1,168,915 at December 31, 2006. The increase during the period is primarily attributed to the increase in loan volume.

CAPITAL RESOURCES

Total members' equity at March 31, 2007 totaled \$186,530, an increase of \$6,787, as compared to \$179,743 at December 31, 2006. The increase in members' equity was primarily attributed to earnings.

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 10.82 percent and 10.82 percent, respectively, and the permanent capital ratio was 12.16 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 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.

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 1-540-886-3435, ext. 620, or writing David Sauer, Farm Credit of the Virginias, ACA, P.O. Box 899, Staunton, VA 24402, or accessing the website, www.farmcreditofvirginias.com. The Association prepares a quarterly report within 45 days after the end of each fiscal quarter, expect no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of the Virginias, ACA
Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2007 <i>(unaudited)</i>	December 31, 2006 <i>(audited)</i>
Assets		
Cash	\$ 931	\$ 2,716
Loans	1,360,196	1,329,782
Less: allowance for loan losses	2,428	2,445
Net loans	1,357,768	1,327,337
Other investments, held to maturity	13,320	10,401
Accrued interest receivable	12,953	10,645
Investment in other Farm Credit institutions	18,304	18,304
Premises and equipment, net	6,123	6,247
Other property owned	708	—
Deferred tax asset, net	9	9
Prepaid retirement expense	4,868	5,114
Due from AgFirst Farm Credit Bank	2,188	9,844
Other assets	3,337	2,511
Total assets	\$ 1,420,509	\$ 1,393,128
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 1,197,218	\$ 1,168,915
Accrued interest payable	5,787	5,587
Patronage refund payable	293	18,204
Postretirement benefits other than pensions	6,546	6,483
Minimum pension liability	119	119
Other liabilities	24,016	14,077
Total liabilities	1,233,979	1,213,385
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	18,314	18,318
Retained earnings		
Allocated	55,216	54,845
Unallocated	113,000	106,580
Total members' equity	186,530	179,743
Total liabilities and members' equity	\$ 1,420,509	\$ 1,393,128

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

Farm Credit of the Virginias, ACA
Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended March 31,	
	2007	2006
Interest Income		
Loans	\$ 25,560	\$ 21,445
Other	148	125
Total Interest Income	25,708	21,570
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	17,128	13,587
Net interest income	8,580	7,983
Provision for (reversal of allowance for) loan losses	—	—
Net interest income after provision for (reversal of allowance for) loan losses	8,580	7,983
Noninterest Income		
Loan fees	249	205
Fees for financially related services	24	20
Equity in earnings of other Farm Credit institutions	2,188	1,906
Gains (losses) on other property owned, net	5	35
Other noninterest income	291	194
Total noninterest income	2,757	2,360
Noninterest Expense		
Salaries and employee benefits	2,720	2,686
Occupancy and equipment	342	303
Insurance Fund premium	491	438
Other operating expenses	982	810
Total noninterest expense	4,535	4,237
Income before income taxes	6,802	6,106
Provision (benefit) for income taxes	16	15
Net income	\$ 6,786	\$ 6,091

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

Farm Credit of the Virginias, ACA

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	\$ 18,568	\$ 60,085	\$ 104,480	\$ 183,133
Net income			6,091	6,091
Capital stock/participation certificates issued	198			198
Capital stock/participation certificates retired	(371)			(371)
Retained earnings retired		(12)		(12)
Distribution adjustment		(892)	104	(788)
Balance at March 31, 2006	<u>\$ 18,395</u>	<u>\$ 59,181</u>	<u>\$ 110,675</u>	<u>\$ 188,251</u>
Balance at December 31, 2006	\$ 18,318	\$ 54,845	\$ 106,580	\$ 179,743
Net income			6,786	6,786
Capital stock/participation certificates issued	292			292
Capital stock/participation certificates retired	(296)			(296)
Distribution adjustment		371	(366)	5
Balance at March 31, 2007	<u>\$ 18,314</u>	<u>\$ 55,216</u>	<u>\$ 113,000</u>	<u>\$ 186,530</u>

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

Farm Credit of the Virginias, ACA

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 Farm Credit of the Virginias, 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, 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.

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	\$ 2,445	\$ 2,736
Provision for (reversal of) loan losses	–	–
Loans (charged off), net of recoveries	(17)	(28)
Balance at end of period	<u>\$ 2,428</u>	<u>\$ 2,708</u>

NOTE 3 – EMPLOYEE BENEFIT PLANS

The Association participates in a Districtwide defined benefit retirement plan. The costs of the plan are not segregated by participating entities but are allocated among the participating entities. Pension costs are allocated by multiplying the District’s net pension expense times each institution’s salary expense as a percentage of the District’s salary expense. The Association also participates in Districtwide Thrift and other postretirement benefit plans.

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	\$ 248	\$ 282
Thrift/deferred compensation	77	77
Other postretirement benefits	146	148
Total	<u>\$ 471</u>	<u>\$ 507</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 sponsors supplemental retirement and deferred compensation plans for certain key employees. The expenses of these plans are included in the pension and deferred compensation costs above. The Association contributed \$2 to these plans during the first three months of 2007. The Association anticipates making additional contributions of \$7 to these supplemental retirement and deferred compensation plans during the remainder of 2007.