2014 ANNUAL REPORT
Financial Statements

Farm Credit East

Consolidated Five-Year Summary of Selected Financial Data

(dollars in thousands)	2014	2013 *	2012 *	2011 *	2010 *
BALANCE SHEET DATA					
Loans	**$ 5,788,644**	$ 4,982,420	$ 4,692,668	$ 4,352,586	$ 4,275,104
Less: Allowance for loan losses	**74,039**	72,616	54,042	45,985	42,876
Net loans	**5,714,605**	4,909,804	4,638,626	4,306,601	4,232,228
Cash	**17,959**	11,683	25,332	13,592	12,493
Investment in CoBank, ACB	**196,441**	164,000	156,938	149,828	144,139
Other property owned	**2,913**	6,147	2,533	3,337	2,609
Other assets	**78,689**	72,067	65,774	64,919	68,218
Total assets	**$ 6,010,607**	$ 5,163,701	$ 4,889,203	$ 4,538,277	$ 4,459,687
Obligations with maturities of one year or less	**$103,821**	$80,303	$90,113	$81,111	$65,444
Obligations with maturities greater than one year	**4,827,439**	4,152,555	3,956,600	3,645,745	3,633,787
Total liabilities	**4,931,260**	4,232,858	4,046,713	3,726,856	3,699,231
Capital stock and participation certificates	**13,913**	12,855	12,602	12,242	11,962
Additional paid-in capital	**229,198**	164,369	164,369	164,369	164,369
Allocated retained earnings	**6,048**	0	0	34,846	45,488
Unallocated retained earnings	**871,829**	776,796	702,235	632,697	559,424
Accumulated other comprehensive loss	**(41,641)**	(23,177)	(36,716)	(32,733)	(20,787)
Total members' equity	**1,079,347**	930,843	842,490	811,421	760,456
Total liabilities and members' equity	**$ 6,010,607**	$ 5,163,701	$ 4,889,203	$ 4,538,277	$ 4,459,687
STATEMENT OF COMPREHENSIVE INCOME DATA					
Net interest income	**$ 174,099**	$ 146,523	$ 142,038	$ 141,396	$ 134,427
Provision for loan losses	**0**	7,000	20,000	15,000	20,000
Noninterest expenses, net	**25,218**	21,799	11,861	16,984	12,727
Provision for income taxes	**2,848**	1,163	639	628	693
Net income	**$ 146,033**	$ 116,561	$ 109,538	$ 108,784	$ 101,007
Comprehensive income	**$ 127,562**	$ 130,100	$ 105,555	$ 96,838	$ 96,163
KEY FINANCIAL RATIOS					
Return on average assets	**2.55%**	2.38%	2.36%	2.44%	2.36%
Return on average members' equity	**13.81%**	13.09%	13.09%	13.61%	13.57%
Net interest income as a percentage of average earning assets	**3.19%**	3.14%	3.21%	3.33%	3.32%
Members' equity as a percentage of total assets	**17.96%**	18.07%	17.31%	17.95%	17.10%
Debt to members' equity	**4.57:1**	4.54:1	4.78:1	4.57:1	4.85:1
Net recoveries (charge-offs) as a percentage of average loans	**0.03%**	0.04%	(0.22%)	(0.14%)	(0.13%)
Allowance for credit losses as a percentage of loans and accrued interest receivable	**1.47%**	1.68%	1.59%	1.48%	1.29%
Permanent capital ratio	**16.23%**	16.22%	15.62%	16.39%	15.81%
Total surplus ratio	**15.99%**	15.96%	15.36%	16.11%	15.53%
Core surplus ratio	**15.95%**	15.96%	15.36%	15.29%	14.70%
Net income distribution					
Patronage dividends:					
Cash	**$ 51,000**	$ 42,000	$ 40,000	$ 35,500	$ 35,000

* Information presented prior to 2014 does not include Farm Credit of Maine.

Management's Discussion and Analysis

The following commentary is a review of the financial condition and results of operations of Farm Credit East, ACA (Farm Credit East or the Association) as of December 31, 2014 with comparisons to prior years. The commentary includes material known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. This commentary should be read in conjunction with the accompanying consolidated financial statements and notes appearing in this Annual Report. Dollar amounts are in thousands unless otherwise noted.

The accompanying financial statements were prepared under the oversight of the Audit Committee.

Business Structure

Farm Credit East is a lending institution of the Farm Credit System (the System). The System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations. Cooperatives are organizations that are owned and governed by their members who use the cooperative's products or services. The System was established in 1916 by the U.S. Congress and has served agricultural producers for over 98 years. Farm Credit East is federally chartered under the Farm Credit Act of 1971, as amended (the Farm Credit Act), and is subject to supervision, examination, and safety and soundness regulation by an independent federal agency, the Farm Credit Administration (FCA). We are a mission-based lender with authority to make loans and provide related financial services to eligible borrowers for qualified agricultural purposes.

As a cooperative, the Association is owned by the members it serves. The territory served extends across a diverse agricultural region covering the entire states of Connecticut, Maine, Massachusetts, Rhode Island and New Jersey, six counties of New Hampshire and all of New York except two counties. The Association makes short and intermediate term loans for agricultural production and long term real estate mortgage loans. Our success begins with our extensive agricultural experience and knowledge of the market.

The Association obtains the funding for its lending and operations from CoBank, ACB (CoBank). CoBank is a cooperative of which Farm Credit East is an owner and member. The Association, along with other Farm Credit System (FCS) entities, also purchases payroll and other human resource services from CoBank. The Association is materially affected by CoBank's financial condition and results of operations. To obtain a free copy of the CoBank Annual Report to Stockholders, please contact us at one of our offices or by accessing CoBank's website at www.cobank.com. Farm Credit East's Annual and Quarterly reports to stockholders are available on the Association's website, **Farmcrediteast.com** or can be obtained free of charge by calling the Association's main office at 860-741-4380. Annual reports are available 75 days after year end and quarterly reports are available 40 days after each calendar quarter end.

The Association purchases technology and other operational services from Farm Credit Financial Partners, Inc. (FPI), a technology service corporation. Farm Credit East is an owner in FPI.

Merger with Farm Credit of Maine

Farm Credit of Maine, ACA (Maine) merged with and into Farm Credit East, ACA effective January 1, 2014. The merger with Maine diversified Farm Credit East's loan portfolio and enhanced the Association's capital base and overall lending capacity.

Beginning in 2014, the financial statements and related metrics include the effects of the merger with Maine. Financial information prior to the date of merger has not been restated to reflect the impact of merger. The merger is further discussed in Note 1 "Organization, Business Combination and Operations" to the accompanying consolidated financial statements.

Year in Review

After a disappointing first quarter, the United States economy rebounded with positive growth for the remainder of 2014. As we enter 2015, there are indications that the nation's economy is gaining momentum. Job growth continues, inflation and interest rates remain low, and oil prices have fallen dramatically. Despite these factors, economic headwinds remain for our customers. The rising value of the dollar is likely to hurt U.S. exports. The Federal Reserve may raise interest rates later in the year. Cash field commodity prices are low, and milk prices are falling. Nonetheless, Farm Credit East continues to post growth in both loan volume and financial services, thanks to the resiliency of Northeast producers.

As you'll see in this report, we experienced another year of strong financial performance. **A key change impacting financial results relative to 2013 was the merger with Farm Credit of Maine, effective January 1, 2014.** Our earnings increased to $146.0 million in 2014 with a return on average assets of 2.55 percent. The increase in net income was largely driven by greater net interest income, higher noninterest income, and a lower level of provision for loan losses. Partially offsetting these items were higher operating expenses. From its 2014 earnings, the Association declared a $51.0 million cash patronage dividend which will be distributed in 2015.

Overall credit quality in our loan portfolio improved in 2014. Adversely classified loans decreased to 2.74 percent of total loans at December 31, 2014, compared to 3.49 percent of total loans at the end of 2013. High risk assets also decreased as nonaccrual loan volume decreased $1.7 million to $58.7 million at December 31, 2014. Within the high risk assets category, other property owned decreased $3.2 million during the year as we continued to work through the collection process with customers.

The Association's financial position remains strong as of December 31, 2014, reflecting capital levels significantly above regulatory minimums. With $1.1 billion in members' equity, our permanent capital and core surplus ratios were 16.23 percent and 15.95 percent respectively at December 31, 2014, both well in excess of the regulatory minimums of 7.00 percent and 3.50 percent.

The National Economy

U.S. economic growth accelerated in the second half of 2014, to come in at an overall rise in GDP of 2.4 percent for the year. Inflation remained subdued, coming in at 1.3 percent for the year through November.

The job market, one of the weakest areas in the current economy, showed improvement. The unemployment rate declined substantially over the course of the year, falling from 6.6 percent to 5.6 percent. The United States posted its strongest year of job growth in 15 years. Nonetheless, labor-force participation rates remained low; December's rate was 62.7 percent, a 36-year low. Wages have also been slow to rise. Over the past year, hourly earnings are up only 1.7 percent, barely ahead of inflation.

The Federal Reserve maintained its policy of low interest rates last year, keeping the Federal Funds rate near zero, while ending its bond buying program known as quantitative easing. The prime rate remains at 3.25 percent, unchanged since 2008. The Fed is transitioning away from the highly accommodative policies of the recent past, moving toward more normalized monetary policy. However, while interest rate increases may occur later in the year, they are likely to be cautious, and signs of weakness in the economy could easily delay their action. The housing market showed modest improvement in 2014. The S&P Case-Schiller home price index for November 2014 was up 3.6 percent over one year earlier, though it remains significantly below its 2006 peak. Housing starts averaged 990,000 for the first 11 months of 2014, the highest level since 2007.

Consumer spending is the largest part of our domestic economy. Consumer confidence levels were much higher in 2014 than in 2013, with an average index value of 86.9 compared to 73.3.

The U.S. dollar gained strength against foreign currencies in 2014. The strengthening dollar will hamper efforts to increase exports, including agricultural products. Improving economic conditions in the United States relative to other nations will likely cause the dollar to strengthen further.

Legislative and Regulatory Outlook

As we entered 2015, the new session of Congress is getting underway. As a result of the November 2014 elections, Republicans control both the House and the Senate. Democrats maintain control of the executive branch. With the passage of the Agriculture Act of 2014 (farm bill), we anticipate that the focus of the agriculture committees will be on oversight of farm bill implementation and reauthorization of certain nutrition programs.

Farm organizations, including Farm Credit East, continue to urge Congress to act on establishing a new agricultural guest worker program. This is a major concern and limiting factor for Northeast agriculture. However, major policy differences remain between the White House and Congress on immigration-related issues.

An area where we may see Congressional action is trade agreements. Negotiations are underway on the Trans-Pacific Partnership and Congress may act to approve trade promotion authority if an agreement is reached. A number of other regulatory issues may receive oversight attention by Congress, including efforts by the Environmental Protection Agency to expand their regulatory reach under the Clean Water Act and regulations to implement the Food Safety and Modernization Act (FSMA).

There are also issues of interest at the state level. A number of states are in the process of increasing and/or considering increases to the state minimum wage. In New York, discussions relating to mandatory overtime pay for farmworkers are ongoing.

Agricultural Outlook

Dairy (21.3 percent of total loan volume) For dairy, 2014 was an outstanding year. Average farm milk prices in the Northeast increased more than $4.00/cwt. over 2013 levels. Expenses remained manageable, with the result being improved profit margins. There continued to be a wide range of operating results with many farms achieving record profits and others earning much less. 2015 is looking to be far less profitable, and many have expressed concerns about profitability in 2016.

Milk prices were high throughout 2014. Dairy analysts are projecting significantly lower prices for 2015, ranging from $5.75 to more than $7.00/cwt. below 2014. Total U.S. milk production averaged about 2.3 percent greater than 2013, a larger increase than recent years.

2014 was another consecutive record year for dairy exports, but volume was highest in the first half of the year, and by August was below 2013 levels. Export markets are expected to continue to decline going into 2015.

The MILC program has ended, leaving producers with a choice of two USDA programs: LGM-Dairy and the Dairy Margin Protection Program (MPP). Unlike MILC, both programs require a pro-active decision, and payment, from the farmer.

Timber (11.1 percent of total loan volume) Lumber production, specialty wood products, chips for pulp and pellets, and structural panels are the primary industries within this segment.

2014 was a relatively strong year for softwood lumber and panel producers. Annual U.S. softwood consumption continues to increase. Most traders and analysts are expecting prices to remain strong in 2015.

Increasing demand for hardwoods is being led by strong exports of Northern hardwood species to China. This has led most sawmills to increase production in 2014. Pricing was much improved over recent levels. Invasive pests are a concern for certain wood species and forest health, but none are likely to deal a severe economic blow to timber growers.

Despite volatility and changes to the pulp and paper industry, pulp and paper mills remain an important market for wood in the Northeast. International competition, changing paper consumption and escalating costs have presented challenges and led to the shutdown or capacity reductions of some mills.

Cash Field Crops (10.5 percent of total loan volume) This category consists of corn for grain, soybeans, hay and small grains. In the western region, there are many full-time crop farmers. In the eastern part of our region there are some full-time producers, but substantial numbers of part-time and semi-retired farmers growing these crops as well.

Commodity prices have significantly declined from earlier highs. This means corn growers will need to average at least 150 bu./acre to break-even prior to family living and debt service. Soybean growers will need at least 50 bu./acre. Considering prices and yields, 2014 was a decent year for most, with 2015 looking challenging.

Livestock (9.3 percent of total loan volume) This is a very diverse sector ranging from beef or other protein producers, both full- and part-time, as well as equine, which itself can be broken down into racing/breeding and boarding/training enterprises, as well as recreational horse properties.

These are frequently part-time farmers with horses or beef cattle in Farm Credit East's more suburbanized office areas. The farm is typically their home and a part-time enterprise. A high proportion of the loans are real estate with underwriting and repayment characteristics of residential lending.

Beef prices hit record levels in 2014 and are expected to carry over into 2015. U.S. beef cattle inventory is at historical lows which will prolong the current period of high prices.

New York is recognized as having one of the best racing and breeding incentive programs in the United States. The primary price driver is the improved general economy and the New York state bred program incentives. Markets in New England and parts of metro New York are supported principally by local recreational demand.

Fruit (8.8 percent of total loan volume) Weather, farm labor and rising input costs are primary concerns. Availability of effective, legal and reasonably priced labor continues to be a concern.

Apples: While a hard winter adversely impacted production for some growers, New York's total production was estimated at approximately 12 percent above the five-year average. Pricing has generally been good, but some varieties are feeling downward pressure due to an abundance of West Coast product.

Juice Grapes: Growers had two successive bumper crops, which has driven down prices. There are some concerns about juice grape markets. Supply is up, demand is steady or slightly down, and juice grape buyers are already hinting that they may further reduce allocations in 2015.

Wine: While a hard 2013-2014 winter curbed production of wine grapes in some northern wine growing regions, elsewhere, the 2014 harvest supplied ample grapes for making wine. Prices for wine grapes remained steady compared to 2013 in most regions, but there was variation depending on type of grape and local supply.

Manufacturing, Marketing & Processing (8.5 percent of total loan volume) This sector consists of businesses that process and market agricultural products. Examples include businesses involved in fluid milk, cheesemaking, yogurt, fruit juice and related product manufacturing and processing, vegetable freezing and canning, and food distribution and marketing. Businesses range in size from small farm-based specialty food manufacturers to large cooperatives.

There is typically a wide range of financial performance among companies in this highly diverse sector. Within the sector, dairy processors experienced tight margins this year, due to high milk prices. Grain and oilseed processors fared better, as market prices for their inputs fell. Overall, moderating energy costs, and an uptick in the general economy has benefitted this category.

Greenhouse (4.3 percent of total loan volume) Greenhouse growers throughout the region generally reported a very good year, setting records for some producers. Nearly perfect weekend weather from Easter through June is largely credited for this. Summer followed with mild weather, continuing strong sales well into July. Fall sales varied but were typically greater than those in 2013.

Financial results for greenhouses have been highly variable in recent years, with weather being a major factor. 2014 was outstanding, but a similar outcome cannot be relied upon for 2015.

There is not much new greenhouse construction in the region. Big box chains continue to dominate the retail market. Big box suppliers must be able to be very efficient and manage tight margins in order to survive. These major retailers are increasingly demanding more services from vendors, raising costs to producers.

Farm Related Businesses (4.2 percent of total loan volume) This consists of equipment, feed, seed, and fertilizer dealers, and other agricultural support businesses. The primary drivers are the overall health of the farm economy. Price volatility in fertilizer, chemicals, seed and other farm inputs has been difficult and substantially raised the risk exposure for these customers.

Reports from equipment dealers indicate that strong sales to the dairy sector helped offset poor sales to customers in the cash grain business. 2015 is expected to be a more difficult year. Equipment sales are expected to be off 10% from 2014, as grain prices are expected to remain low and dairy prices have been declining in recent months.

Crop input suppliers indicated that 2014 was an outstanding year with strong economics and good growing conditions, making for one of the best years in recent memory. 2015 customer prepayments have been some of the highest ever. However, the outlook for 2015 is mixed. Even with a weaker outlook for grains and dairy, sources expect demand to be similar to 2014 as growing conditions permit.

Nursery (4.2 percent of total loan volume) As with the greenhouse sector, 2014 was a solid year for the nursery industry with revenues and profits improved over the prior year. Favorable spring and summer weather is largely credited for this industry's success this past year. Prices have advanced for certain varieties as decreased lining out over the past several years has tightened inventory numbers. As the housing market recovers and improves, the nursery industry will also see economic improvement. While chain stores continue to grab market share, many independent garden centers also saw their best year.

All Other: (17.8 percent of total loan volume) This segment is comprised of twenty other loan types with none accounting for more than 3.8 percent of total loan volume. Incredibly diverse, this section includes food processing, country home lending, utilities, tobacco and eggs. It also has a wide range of economic drivers, with about 50 percent driven by general economic conditions, and 50 percent by industry-specific factors.

Loan Portfolio

The loan portfolio consists primarily of agricultural real estate loans, agricultural production operating loans and intermediate installment loans. Loans are originated and serviced within the Local Service Area (LSA) in New York, New Jersey, Maine and throughout Southern New England, as well as outside the LSA through purchased loan participations. The geographic distribution of loans follows:

As of December 31	2014	2013	2012
New York	48%	52%	52%
New Jersey	12	14	14
Maine	8	0	0
Massachusetts	6	8	8
Connecticut	6	7	7
Rhode Island, New Hampshire and other states	20	19	19
Total	100%	100%	100%

Loan volume totaled $5.8 billion at December 31, 2014 an increase of $806.2 million, or 16.2 percent from the December 31, 2013 balance of $5.0 billion. The merger with Maine increased loan volume by $298.4 million on January 1, 2014. The Association was also able to increase its hold position on sold loans in the Maine portfolio by approximately $200 million. The combined period to period growth was driven primarily by our branch based farm loan portfolio which grew $309.5 million, or 8.3 percent, as strong demand for agricultural products benefited our producers. Our residential country living mortgage program grew $40.4 million, or 8.2 percent, as reasonably strong demand continued in our LSA for this product and our capital markets group grew $162.2 million, or 16.9 percent.

Credit Quality Conditions and Measurements in the Loan Portfolio

The following table presents loans classified, by management, pursuant to our regulator's Uniform Loan Classification System, as a percent of total loans and related accrued interest.

As of December 31	2014	2013	2012
Acceptable	94.03%	92.30%	91.52%
Special mention	3.23	4.21	3.71
Substandard/doubtful	2.74	3.49	4.77
Total	100.00%	100.00%	100.00%

The overall credit quality in our loan portfolio continued to improve in 2014. Adversely classified loans ('Substandard' and 'Doubtful') decreased to 2.7 percent of total loans at December 31, 2014 compared to 3.5 percent at the end of 2013, while 'Special Mention' loans also decreased to 3.2 percent of loans from 4.2 percent. These overall improvements track closely with a strong agricultural Economy which reflects the improved credit quality classification of loans in the timber, greenhouse, nursery and dairy industries combined with the resolution and payoff of previously adversely classified loans.

Credit risk arises from the inability of an obligor to meet its repayment obligation and exists in our outstanding loans, unfunded loan commitments and letters of credit. We manage credit risk associated with our lending activities through an assessment of the credit risk profile of each individual borrower based on an analysis of the borrower's credit history, repayment capacity, financial position and collateral. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income. The Association also manages credit risk by establishing limits for single borrower hold positions and industry concentrations based on underlying risks. The geographic and commodity diversity in the loan portfolio, coupled with disciplined underwriting reduces the potential for significant credit losses. Also worth noting, Farm Credit East's underwriting standards do not allow for subprime lending which is evident based on the current and historical low delinquency percentages within the loan portfolio.

To further manage portfolio risk, the Association participates in the USDA's Farm Service Agency guarantee program and as of December 31, 2014 has guarantees totaling $281.6 million. The Association also participates in the Farmer Mac Long Term Standby Commitment to Purchase Program. As of December 31, 2014, commitments totaling $46.3 million were in this program.

Nonearning Assets

Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of principal and/or interest.

At December 31, 2014 nonaccrual loans totaled $58.7 million a slight decrease of $1.7 million from the end of 2013. The decrease in nonaccruals from 2013 to 2014 was primarily due to loan pay downs and nonaccrual loans which were acquired through the collection process with customers. Nonaccrual loan volume was $72.2 million at December 31, 2012.

Other property owned is comprised of real or personal property that has been acquired through foreclosure or deed in lieu of foreclosure. At December 31, 2014 other property owned totaled $2.9 million, a decrease of $3.2 million from the end of 2013. The decrease during 2014 reflects three properties acquired during the year totaling $0.9 million which were offset by six properties disposed of totaling $4.1 million. Other property owned was $2.5 million at December 31, 2012. The Association is actively marketing all other property owned assets and intends to dispose of all properties in an orderly and timely fashion.

The following table summarizes high risk assets and delinquency information:

As of December 31	2014	2013	2012
Nonaccrual	$58,690	$60,374	$72,200
Accruing loans 90 Days or more past due	4,204	2,132	1,374
Accruing restructured loans	79	1,353	1,572
Total Impaired Loans	$62,973	$63,859	$75,146
Other Property Owned	2,913	6,147	2,533
Total High Risk Assets	$65,886	$70,006	$77,679
Impaired Loans to Total Loans	1.09%	1.28%	1.60%
High Risk Assets to Total Loans	1.14%	1.41%	1.66%
Nonaccrual Loans to Total Loans	1.01%	1.21%	1.54%
Delinquencies as a % of total performing loans	0.39%	0.47%	0.57%

For additional loan type information, see Note 3 to the consolidated financial statements "Loans, Loan Quality and Allowance for Credit Losses".

Provision for Loan Losses and Allowance for Credit Losses

The provision for loan losses reflects our expense estimates for credit losses inherent in our loan portfolio, including unfunded commitments. The allowance for loan losses reflects an adjustment to the value of our total loan portfolio for inherent credit losses related to outstanding balances. We provide line of credit financing to customers to cover short-term and variable needs. As a result, Farm Credit East has significant unfunded commitments for which we maintain a separate reserve. This reserve is reported as a liability on the Association's consolidated balance sheet. We refer to the combined amounts of the allowance for loan losses and the reserve for unfunded commitments as the "allowance for credit losses." The allowance for credit losses (ACL) reflects our assessment of the risk of probable and estimable loss related to outstanding balances and unfunded commitments in our loan portfolio. The allowance for credit losses is maintained at a level consistent with this assessment, considering such factors as loss experience, portfolio quality, portfolio concentrations, current and historical production conditions, modeling imprecision, or mission and economic and environmental factors specific to our portfolio segments. The allowance for credit losses at each period end was considered by management to be adequate.

As a result of overall favorable credit quality, Farm Credit East did not record a provision for loan losses in 2014. In 2013, the Association's provision for loan losses totaled $7.0 million and reflected specific credit challenges primarily related to a small number of customers along with continued general economic weakness. In 2012, Farm Credit East recorded a $20.0 million provision for loan losses.

Comparative allowance coverage, as a percentage of key loan categories, follows:

As of December 31	2014	2013	2012
Components:			
Allowance for loan losses	$ 74,039	$ 72,616	$ 54,042
Reserve for unfunded commitments	11,289	11,333	20,912
Allowance for Credit Losses (ACL)	$ 85,328	$ 83,949	$ 74,954
ACL as a percentage of:			
Total loans	1.47%	1.68%	1.60%
Nonaccrual loans	145.39%	139.05%	103.81%
Impaired loans	135.50%	131.46%	99.74%

For further discussion regarding the allowance for credit losses, refer to Note 3 to the consolidated financial statements, "Loans, Loan Quality and Allowance for Credit Losses".

Results of Operations

Net income was $146.0 million for the twelve months ending December 31, 2014 an increase of $29.4 million, or 25.3 percent, from $116.6 million for 2013. Net income was $109.5 million for the twelve months ending December 31, 2012. Our strong earnings primarily reflect the favorable impact of the merger with Maine on net interest income, partially offset by higher operating expenses. The following table reflects key performance results *($ in millions)*:

Year ended December 31	2014	2013	2012
Net income	$ 146.0	$ 116.6	$ 109.5
Net interest income	$ 174.1	$ 146.5	$ 142.0
Net interest margin	3.19%	3.14%	3.21%
Return on average assets	2.55%	2.38%	2.36%
Return on average members equity	13.81%	13.09%	13.09%

Changes in the significant components impacting the results of operations are summarized in the following table *($ in millions)*:

Increase (decrease) due to:	2014 versus 2013	2013 versus 2012
Net interest income	$ 27.6	$ 4.5
Provision for loan losses	7.0	13.0
Noninterest income	7.1	(3.6)
Noninterest expenses	(10.6)	(6.4)
Provision for income taxes	(1.7)	(0.5)
Total	$ 29.4	$ 7.0

Net Interest Income

Net interest income increased $27.6 million or 18.8% to $174.1 million in 2014, compared to 146.5 million in 2013. Net interest income was $142.0 million for the twelve months ending December 31, 2012. The following table quantifies the changes in net interest income ($ *in millions*):

Changes in net interest income due to:	2014 versus 2013	2013 versus 2012
Volume & Merger	$ 18.3	$ 5.6
Nonaccrual and other income	3.2	1.1
Rates and margin	4.3	(2.1)
Hedging activity	1.8	(0.1)
Total	$ 27.6	$ 4.5

The merger with Maine increased our loan volume by $298.4 million as of the merger date and the Association was also able to increase its hold positions on loans sold in the Maine portfolio by approximately $200 million. Both debt and equity investments in earning assets grew during 2014. Interest income as a percent of earning assets was 3.92 percent in 2014, down slightly from 3.97 percent in 2013. Average cost of debt funding also fell from 1.16 percent in 2013 to 1.12 percent in 2014. The decline in yields from 2013 was due to lower fixed rates and lower average yield on variable loans. Average interest rate spread over cost of funding was stable at 2.80 percent in both 2014 and 2013. Of the $27.6 million increase from 2013, $18.3 million was due to increased debt funded loan volume and the merger. Collection of nonaccrual and other interest income increased by $3.2 million over 2013. Increased margin over cost of funding was $4.3 million while the Association's hedging strategy contributed $2.8 million to net interest income, a $1.8 million increase from 2013.

In 2013, the increase in net interest income over 2012 was due to a combination of growth offset by a decrease in margin over cost of funding.

Information regarding the average daily balances and average rates earned and paid on our portfolio are presented in the following table:

As of December 31	2014	2013	2012
Net interest income	$ 174,099	$ 146,523	$ 142,038
Average balances:			
Average interest earning loans	$ 5,454,987	$ 4,671,780	$ 4,421,576
Average interest bearing liabilities	$ 4,591,603	$ 3,950,035	$ 3,759,613
Average yields and rates:			
Interest earning loan yield	3.92%	3.97%	4.18%
Rate paid on interest bearing liabilities	1.12%	1.16%	1.29%
Interest rate spread	2.80%	2.80%	2.89%
Net interest margin (interest income as a percentage of average earning loans)	3.19%	3.14%	3.21%

Noninterest income

Noninterest income increased $7.1 million, or 15.8 percent, to $52.6 million for the twelve months ended December 31, 2014 as compared to $45.5 million in 2013. Noninterest income totaled $49.0 million for the twelve months ending December 31, 2012.

Patronage income from CoBank is a significant part of the Association's noninterest income. Patronage income is based on the average balance of the Association's note payable to CoBank. For the year ended December 31, 2014, CoBank patronage income totaled $20.7 million an increase of $3.1 million from $17.6 million in 2013. The merger with Maine increased our note payable by $253.2 million as of the merger date. The patronage rates paid by CoBank on the Association's note payable were 45 basis points in 2014, 2013 and 2012. Patronage income from CoBank was $17.0 million for the twelve months ending December 31, 2012.

The Association also receives patronage income from CoBank and other Farm Credit entities that purchased interests in loans originated by the Association. For the twelve months ended December 31, 2014, this revenue totaled $3.7 million compared to $2.2 million in both 2013 and in 2012.

Noninterest income also includes fees for financially related services, loan fees, compensation on participation loans and other noninterest income. These noninterest income sources totaled $28.3 million for the twelve months ending December 31, 2014 an increase of $2.7 million, or 10.4 percent from 2013. Financially related services fee income is the largest component with $23.0 million in revenue for the year ended December 31, 2014 an increase of $3.0 million, or 14.9 percent, compared to 2013. Our continued marketing efforts for financially related services have resulted in more customers utilizing our farm records, business consulting, appraisal and tax services. These other noninterest income items were $24.6 million for the twelve months ending December 31, 2012.

Noninterest expense

Noninterest expense totaled $77.8 million for the twelve months ending December 31, 2014 an increase of $10.6 million, or 15.7 percent, from $67.3 million in 2013. Noninterest expense was $60.9 million for the twelve months ending December 31, 2012.

Salaries and employee benefits is the primary component of noninterest expense and totaled $48.7 million for the twelve months ended December 31, 2014, an increase of

$5.2 million from $43.5 million for the twelve months ending December 31, 2013. The increase is primarily due to the addition of 41 former Maine employees. Salary and employee benefits were $40.6 million for the twelve months ending December 31, 2012.

Fees paid to FPI, the Association's technology service provider, were $7.1 million for the twelve months ended December 31, 2014, an increase of $1.5 million from the twelve months ended December 31, 2013. Insurance fund premiums increased to $5.0 million in 2014 as premium rates increased to twelve basis points of active loan volume from ten basis points in 2013. Noninterest expenses also include occupancy and equipment expense, other operating expenses and other property owned expenses.

Income Taxes

The provision for income taxes increased to $2.8 million for the twelve months ending December 31, 2014 an increase from $1.2 million in 2013. The increase in income taxes is related to deferred tax expense of $1.4 million recognized as a result of the valuation allowance provided for on the net deferred tax assets acquired from Maine as it is more likely than not that this asset will not be realized. The Association's effective tax rate is significantly less than the applicable federal and state tax statutory income tax rates due to tax deductible patronage distributions and our tax exempt business activities. For the twelve months ending December 31, 2012 the provision for income taxes was $0.6 million. For additional information, see Note 9 "Income Taxes" to the consolidated financial statements.

Patronage Distributions

The Association has a patronage program that allows it to distribute its available net earnings to its stockholders. The patronage program consists of a qualified cash distribution and a non-qualified distribution. This program provides for the application of net earnings in the manner described in our Bylaws. When determining the amount and method of patronage to be distributed, the Board considers the setting aside of funds to increase retained earnings to meet capital adequacy standards established by Farm Credit regulations, to meet our internal capital adequacy standards to support competitive pricing at targeted earnings levels, and for reasonable reserves. Patronage is distributed in accordance with cooperative principles, as determined by the Board and in accordance with Association by-laws. The distributions are sent to eligible customers shortly after the end of the year. For the year ended December 31, 2014, the Association declared a $51.0 million qualified patronage dividend which will be distributed 100 percent cash in 2015. For the years ended December 31, 2013 and 2012, the Association declared a $42.0 million and $40.0 million in qualified patronage dividends respectively which were distributed 100 percent in cash in February of the following year.

Liquidity and Funding Sources

The Association's primary source of funding is CoBank. Funds are obtained through borrowing on a revolving line of credit governed by a General Financing Agreement. At December 31, 2014, the Association's notes payable to CoBank totaled $4.8 billion which is a $0.6 billion increase from $4.2 billion at December 31, 2013. The merger with Maine increased our debt to CoBank by $253.6 million on January, 1, 2014. The Association's note payable was $4.0 billion at December 31, 2012.

The line of credit available to the Association is formula-driven based on Association loan volume and credit quality. Because of the funding relationship with CoBank, the Association does not maintain large balances in cash or other liquid investments. Substantially all of the Association's assets are pledged as security to CoBank. The Association is in full compliance with its financing agreement with CoBank and has capacity under the agreement to borrow funds needed to meet anticipated loan demand.

The Association minimizes its interest rate risk by funding loans with debt from CoBank that has similar pricing characteristics as the assets being funded. As a result, the Association is not subject to substantial interest rate risk. The Association's loan portfolio consisted of the following breakdown by pricing type:

As of December 31	2014	2013	2012
Pricing Type:			
Variable rate loans	55.24%	58.68%	61.37%
Indexed loans (Prime, ARM, LIBOR)	16.64%	12.64%	9.82%
Fixed rate loans	28.12%	28.68%	28.81%

The interest rates charged to the Association on debt, by and large, have the same pricing characteristics as the loans funded. For example, fixed rate loans are funded with fixed rate debt with the same term. The Association's goal is to fund fixed and indexed rate loans with 100 percent matching debt.

The Association's equity is invested in variable rate loans. The yield on equity funded loans is the average variable portfolio rate. As rates rise or fall, earnings on equity funded loans go up and down. The Association also uses interest rate contracts (swaps) with CoBank to better manage its equity investment in variable rate loans. When rates are low, the Association earns more on its interest rate contracts, offsetting lower earnings on its equity position and serving to stabilize net interest income. (Conversely, when rates rise, the Association will earn less on its contracts and more on its equity position). The average length of the Association's contracts is about 18 months. The effect of this hedging strategy diminishes if rates stay stable for two or more years.

The swaps also extend the duration of the Association's equity position resulting in increased earnings from the normal yield curve and some change in the value of equity due to changes in interest rates. The Association's interest rate hedging program is summarized in the following table ($ *in millions*):

As of December 31	2014	2013	2012
Swap notional amount	$ 850.0	$ 740.0	$ 400.0
Value	$ (0.8)	$ (0.6)	$ 0.5
Cash Settlements	$ 2.7	$ 0.9	$ 0.6

For additional information, see Note 13 to the consolidated financial statements "Fair Value Measurements".

Members' Equity

In conjunction with its annual financial planning process, the Association's Board of Directors reviews and approves a Capitalization Plan. The objective of the plan is to build and maintain adequate capital for continued financial viability and to provide for growth necessary to meet customer needs.

Total members' equity totaled $1.1 billion at December 31, 2014 an increase of $148.5 million, or 16.0 percent, from $930.8 million at December 31, 2013. The merger with Maine increased our equity by $72.5 million on January 1, 2014. Members' equity at December 31, 2014 was comprised of unallocated retained earnings of $871.8 million, additional paid-in capital of $229.2 million, allocated retained earnings of $6.0 million, customer capital stock and participation certificates of $13.9 million and accumulated other comprehensive loss of <$41.6> million.

The Association, along with other System institutions, is subject to regulatory oversight by FCA. In addition to the Association's Board approved Capitalization Plan, a number of rules and regulations are imposed under the Farm Credit Act on the operations of System entities, including requirements to maintain a minimum permanent capital ratio, total surplus ratio and core surplus ratio. As displayed in the following table, the Association exceeded the minimum regulatory requirements, which are noted parenthetically.

As of December 31	2014	2013	2012
Members' equity as a % of assets	17.96%	18.07%	17.31%
Permanent capital ratio (7.0%)	16.23%	16.22%	15.62%
Total surplus ratio (7.0%)	15.99%	15.96%	15.36%
Core surplus ratio (3.5%)	15.95%	15.96%	15.36%

Financial condition ratios for 2014 are consistent with the Association's current Capitalization Plan and long term objectives. For a description of the Association's capitalization requirements, equities and regulatory capitalization requirements and restrictions, see Note 7 to the consolidated financial statements, "Members' Equity". Association management knows of no reason that would cause the Association not to meet these standards in the foreseeable future.

On May 8, 2014, the Farm Credit Administration approved a proposed rule to modify the regulatory capital requirements for System institutions. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as government-sponsored enterprises;
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System;
- To make System regulatory capital requirements more transparent; and
- To meet certain requirements of the Dodd-Frank Act.

The public comment period ended on February 16, 2015. At this time uncertainty exists as to the final form of the proposed rule, but we believe System institutions would be in compliance even if the rule was adopted in its current proposed form. If adopted the proposed effective date would be January 1, 2016.

Critical Accounting Estimates

Management's discussion and analysis of the financial condition and results of operations are based on the Association's consolidated financial statements, which we prepare in accordance with accounting principles generally accepted in the United States of America. In preparing these financial statements, we make estimates and assumptions. Our financial position and results of operations are affected by these estimates and assumptions, which are integral to understanding reported results.

Note 2 to the accompanying consolidated financial statements contains a summary of our significant accounting policies. We consider certain of these policies to be critical to the presentation of our financial condition, as they require us to make complex or subjective judgments that affect the value of certain assets and liabilities. Some of these estimates relate to matters that are inherently uncertain. Most accounting policies are not, however, considered critical. Our critical accounting policies relate to determining the level of our allowance for credit losses and the valuation of our derivative instruments with no ready markets. Management has reviewed these critical accounting policies with the Audit Committee of the Board of Directors.

Business Outlook

Several underlying fundamentals are bullish for the American economy. The recent sharp decline in oil prices is expected to boost growth. While gains will be partially offset by declines in U.S. energy revenues, savings by businesses and consumers will far outweigh any downside. The improving job market is likely to boost workers' earnings, and grow consumer spending. Business investment is poised to increase as companies carry out investment and expansion plans that have been deferred in recent years.

Weak economic growth in Europe and Japan remains a concern for global markets. China is projected to grow at close to 7 percent in the coming years ─ solid growth, but a significant slowdown from past rates.

Grain and oilseed prices fell significantly in 2014 due to record corn and soybean harvests. Meanwhile, prices in animal proteins have set record highs in many categories. This, combined with falling crop prices, led to record margins for many producers in 2014. For dairy, the tide has already started to turn, with milk prices beginning to fall. Prices in other protein sectors, most notably beef, are high and look as if they will remain so through 2015.

Forward-Looking Statements

Certain information included in this report contains 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 "believes," "could," "estimates," "anticipates," "may," "should," "will," or other variations of these terms or similar expressions are intended to identify 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 fluctuations in the economy, the relative strengths and weaknesses in the agricultural credit sectors and in the real estate market, and the actions taken by the Federal Reserve in implementing monetary policy.

Report of Management

The consolidated financial statements of Farm Credit East, ACA (the Association) are prepared by management, which is 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 as appropriate in the circumstances. The consolidated financial statements, in the opinion of management, fairly present the financial position of the Association. Other financial information included in this Annual Report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Association's internal auditors and risk management staff perform audits of the accounting records, review accounting systems and internal controls and recommend improvements as appropriate. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, our independent auditors, who also conduct a review of internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The chief executive officer, as delegated by the Board of Directors, has overall responsibility for the Association's system of internal controls and financial reporting, subject to the review of the Audit Committee of the Board of Directors. The Audit Committee consults regularly with management and meets periodically with the independent auditors and internal auditors to review the scope and results of their examinations. The Audit Committee reports regularly to the Board of Directors. Both the independent auditors and the internal auditors have direct access to the Audit Committee.

The undersigned certify the 2014 Farm Credit East Annual Report to Stockholders has been reviewed and prepared 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.

William J. Lipinski
Chief Executive Officer

Andrew J. Gilbert
Chairman of the Board

Charles S. Herring
Chief Operating Officer

Andrew N. Grant
Chief Financial Officer

March 11, 2015

Report of Audit Committee

The consolidated financial statements were prepared under the oversight of the Audit Committee (the Committee). The Committee is composed of five members from the Farm Credit East, ACA (the Association) Board of Directors. In 2014, the Committee met five times in person and held one conference call. The Committee oversees the scope of the Association's internal audit program, the independence of the outside 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 Committee's responsibilities are described more fully in the Association's Internal Control Policy and the Audit Committee Scope of Responsibility. In addition, the Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as our independent auditors for 2014.

Management is responsible for the Association's 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 Association's consolidated financial statements in accordance with generally accepted auditing standards in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2014, with management. The Committee also reviewed with PwC the matters required to be discussed by Statement of Auditing Standards No. 114 *The Auditor's Communication With Those Charged With Governance*. Both PwC and the Association's internal auditors directly provide reports on significant matters to the Committee.

The Committee had discussions with and received written disclosures from PwC in accordance with Independence Standards Board Standard No. 1 *Independence Discussion with Audit Committees*, and discussed with PwC its independence. The Committee approves all non-audit services provided by PwC. In 2014 PwC was engaged for tax and merger services and the Committee concluded these services were not incompatible with maintaining the auditors' independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Committee recommended that the Board of Directors include the audited consolidated financial statements in the Annual Report for the year ended December 31, 2014.

Henry L. Huntington
Chairman of the Audit Committee
Farm Credit East, ACA

Other Committee Members:
Ann P. Hudson, CPA
Richard P. Janiga
Lisa P. Sellew
Donald P. White

March 11, 2015

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 combined 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 boards of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the combined 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 combined financial statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2014. 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 December 31, 2014, 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 December 31, 2014.

William J. Lipinski
Chief Executive Officer

Andrew N. Grant
Chief Financial Officer

March 11, 2015

Report of Independent Auditors

pwc

Independent Auditor's Report

To the Board of Directors and Stockholders
of Farm Credit East, ACA

We have audited the accompanying consolidated financial statements of Farm Credit East, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2014, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Farm Credit East, ACA and its subsidiaries at December 31, 2014, 2013, and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 11, 2015

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103
T: (860) 241 7000, F: (860) 241 7590, www.pwc.com/us

Consolidated Balance Sheets

As of December 31 (dollars in thousands)	2014	2013	2012
ASSETS			
Loans	**$ 5,788,644**	$ 4,982,420	$ 4,692,668
Less: Allowance for loan losses	**74,039**	72,616	54,042
Net loans	**5,714,605**	4,909,804	4,638,626
Cash	**17,959**	11,683	25,332
Accrued interest receivable	**18,571**	15,567	14,919
Investment in CoBank, ACB	**196,441**	164,000	156,938
Premises and equipment, net	**18,443**	15,220	15,499
Other property owned	**2,913**	6,147	2,533
Other assets	**41,675**	41,280	35,356
Total Assets	**$ 6,010,607**	$ 5,163,701	$ 4,889,203
LIABILITIES			
Notes payable to CoBank, ACB	**$ 4,827,439**	$ 4,152,555	$ 3,952,596
Patronage distributions payable	**51,000**	42,000	40,000
Accrued interest payable	**4,454**	3,948	4,004
Reserve for unfunded commitments	**11,289**	11,333	20,912
Other liabilities	**37,078**	23,022	29,201
Total Liabilities	**4,931,260**	4,232,858	4,046,713
MEMBERS' EQUITY			
Capital stock and participation certificates	**13,913**	12,855	12,602
Additional paid-in capital	**229,198**	164,369	164,369
Allocated retained earnings	**6,048**	0	0
Unallocated retained earnings	**871,829**	776,796	702,235
Accumulated other comprehensive loss	**(41,641)**	(23,177)	(36,716)
Total Members' Equity	**1,079,347**	**930,843**	**842,490**
Total Liabilities and Members' Equity	**$ 6,010,607**	**$ 5,163,701**	**$ 4,889,203**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Year Ended December 31 (dollars in thousands)	2014	2013	2012
INTEREST INCOME			
Loans	**$ 221,537**	$ 189,867	$ 187,447
Other	**427**	580	1,137
Total interest income	**221,964**	190,447	188,584
INTEREST EXPENSE			
Notes payable to CoBank, ACB	**47,860**	43,919	46,542
Other	**5**	5	4
Total interest expense	**47,865**	43,924	46,546
Net interest income	**174,099**	146,523	142,038
Provision for loan losses	**0**	7,000	20,000
Net interest income after provision for loan losses	**174,099**	139,523	122,038
NONINTEREST INCOME			
Patronage distributions from Farm Credit Institutions	**24,353**	19,847	19,214
Financially related services income	**23,010**	20,033	18,552
Refunds from Farm Credit System Insurance Corporation	**0**	0	5,185
Compensation on participation loans, net	**3,064**	3,975	3,783
Loan fees	**2,154**	1,580	2,268
Other income	**45**	22	42
Total noninterest income	**52,626**	45,457	49,044
NONINTEREST EXPENSE			
Salaries and employee benefits	**48,682**	43,480	40,569
Occupancy and equipment	**3,294**	2,833	2,746
Insurance Fund premiums	**5,028**	3,591	1,723
Fees paid to technology service provider	**7,067**	5,542	5,236
Other operating expenses	**12,682**	11,184	10,232
Other property owned expenses, net	**1,091**	626	399
Total noninterest expenses	**77,844**	67,256	60,905
Income before income taxes	**148,881**	117,724	110,177
Provision for income taxes	**2,848**	1,163	639
Net Income	**146,033**	116,561	109,538
OTHER COMPREHENSIVE INCOME (LOSS)			
Net change in retirement plan liabilities	**(18,041)**	14,754	(4,254)
Net change in cash flow hedge	**(430)**	(1,215)	271
Other Comprehensive Income (Loss)	**(18,471)**	13,539	(3,983)
Comprehensive Income	**$ 127,562**	$ 130,100	$ 105,555

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Members' Equity

(dollars in thousands)	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Allocated Retained Earnings	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Members' Equity
Balance at December 31, 2011	$ 12,242	$ 164,369	$ 34,846	$ 632,697	$ (32,733)	$ 811,421
Comprehensive Income (Loss)				109,538	(3,983)	105,555
Capital stock and participation certificates issued	1,231					1,231
Capital stock and participation certificates retired	(871)					(871)
Allocated retained earnings retired			(34,846)			(34,846)
Patronage Distribution				(40,000)		(40,000)
Balance at December 31, 2012	$ 12,602	$ 164,369	$ -	$ 702,235	$ (36,716)	$ 842,490
Comprehensive Income				116,561	13,539	130,100
Capital stock and participation certificates issued	1,276					1,276
Capital stock and participation certificates retired	(1,023)					(1,023)
Allocated retained earnings retired						-
Patronage Distribution				(42,000)		(42,000)
Balance at December 31, 2013	$ 12,855	$ 164,369	$ -	$ 776,796	$ (23,177)	$ 930,843
Comprehensive Income (Loss)				146,033	(18,471)	127,562
Capital stock and participation certificates issued	1,276					1,276
Capital stock and participation certificates retired	(985)					(985)
Equity re-characterized upon merger	767	64,829	6,852		7	72,455
Allocated retained earnings retired			(804)			(804)
Patronage Distribution				(51,000)		(51,000)
Balance at December 31, 2014	**$ 13,913**	**$ 229,198**	**$ 6,048**	**$ 871,829**	**$ (41,641)**	**$ 1,079,347**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Year Ended December 31 (dollars in thousands)	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$146,033**	$116,561	$109,538
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**2,484**	2,245	2,279
Provision for loan losses	**0**	7,000	20,000
Increase in accrued interest receivable	**(1,751)**	(1,169)	(594)
Increase (decrease) in accrued interest payable	**506**	(56)	(226)
(Decrease) increase in other liabilities	**(6,322)**	7,360	(1,792)
Decrease (increase) in other assets	**7,657**	(7,953)	(2,563)
Gain from sales of other property owned	**(1,306)**	(142)	(145)
Gain from sales of premises and equipment	**(316)**	(258)	(118)
Total adjustments	**952**	7,027	16,841
Net cash provided by operating activities	**146,985**	123,588	126,379
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in loans, net	**(508,645)**	(292,863)	(355,139)
Increase in investment in CoBank	**(16,574)**	(7,062)	(7,110)
(Increase) decrease in investments	**(853)**	2,029	626
Expenditures for premises and equipment	**(2,710)**	(2,227)	(1,640)
Proceeds from sales of other property owned	**7,265**	2,155	6,967
Proceeds from sales of premises and equipment	**374**	519	562
Net cash acquired in business combination	**2,552**	0	0
Net cash used in investing activities	**(518,591)**	(297,449)	(355,734)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances on notes payable under financing agreement with CoBank, ACB	**5,133,808**	3,891,309	3,683,035
Repayment of notes payable to CoBank, ACB	**(4,712,163)**	(3,691,350)	(3,371,954)
Capital stock and participation certificates issued	**1,276**	1,276	1,231
Capital stock and participation certificates retired	**(985)**	(1,023)	(871)
Patronage distributions paid	**(44,054)**	(40,000)	(70,346)
Net cash provided by financing activities	**377,882**	160,212	241,095
Net increase (decrease) in cash and cash equivalents	**6,276**	(13,649)	11,740
Cash and cash equivalents at beginning of year	**11,683**	25,332	13,592
Cash and cash equivalents at end of year	**$17,959**	$11,683	$25,332
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:			
Accrued interest transferred to loans	**$514**	$521	$593
Loans transferred to other property owned	**2,725**	5,627	6,018
Cash patronage distribution declared	**51,000**	42,000	40,000
Transfer of surplus to additional paid-in-capital related to Association merger	**64,829**	0	0

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

(dollars in thousands except as noted)

NOTE 1 – Organization, Business Combination and Operations

Organization

Farm Credit East, ACA, an Agricultural Credit Association (ACA) and its subsidiaries, Farm Credit East FLCA, a Federal Land Credit Association (FLCA), and Farm Credit East PCA, a Production Credit Association (PCA), (collectively called "the Association"), is a member-owned cooperative which provides credit and financially related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in the counties of Belknap, Carroll, Hillsborough, Merrimack, Rockingham, and Strafford in the State of New Hampshire; all counties in the State of New York except Clinton and Essex, and in the States of Connecticut, Maine, Massachusetts, Rhode Island and New Jersey.

The Association is a lending institution of the Farm Credit System (the System), a nationwide system of cooperatively owned Banks and Associations, which was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act).

At December 31, 2014, the System was comprised of three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB) and 78 affiliated Associations. CoBank, ACB (CoBank or ACB) is Farm Credit East's funding bank.

CoBank and its related Associations are collectively referred to as the "District". CoBank provides funding to all associations within the District and is responsible for supervising certain activities of the District Associations. The District consists of the Bank, twenty six ACA's and one FLCA. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The ACAs' make short and intermediate-term loans for agricultural production or operating purposes and can also make secured long-term agricultural real estate and rural home mortgage loans.

The Association, along with other System Institutions, owns Farm Credit Financial Partners, Inc. (FPI) which provides technology and other operational services to its owners.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and Associations. The FCA examines the activities of System Associations to ensure their compliance with the Farm Credit Act, FCA regulations and safe and sound banking practices.

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 required to be used (1) to insure the timely payment of principal and interest on Systemwide debt obligations (insured debt), (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the Insurance Corporation of providing assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System Bank has been required to pay premiums, which may be passed onto the Associations, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Farm Credit Act, as amended, the Insurance Corporation may return excess funds above the secure base amount to System institutions.

Business Combination

Effective January 1, 2014, Farm Credit of Maine (Maine) merged with and into Farm Credit East. The merger was accounted for under the acquisition method of accounting in accordance with the FASB Accounting Standards Codification (ASC) 805 *Business Combinations* (ASC 805). Pursuant to these rules, Farm Credit East acquired the assets and assumed the liabilities of Maine at their acquisition-date fair value. The fair value of the net identifiable assets acquired ($72.5 million) was substantially equal to the fair value of the equity interests exchanged in the merger. As a result, no goodwill was recorded.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of our customer owners and other customers and not for the benefit of any other equity investors; capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and their bylaws, the Associations can issue stock only at its par value of $5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. In these and other respects, the shares of stock in one Association that were converted to shares of another Association had identical rights and attributes. For this reason, the conversion of stock pursuant to the merger occurred at a one-for-one exchange ratio. Management believes that because the stock in each Association is fixed in value, the stock issued pursuant to the merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, Farm Credit East identified and estimated the acquisition date fair value of the equity interests of the acquired Association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, were measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. The use of different estimates and judgments could yield materially different results. The excess value received, by the acquiring Association from the acquired Association, over the par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

The fair value of net assets acquired includes an adjustment to certain loan receivables and certain debt not considered impaired as of the acquisition date. These fair value adjustments were determined using spread assumptions based on the current spread to the cost of funds by each category of loans. Projected cash flows were discounted using the current Farm Credit funding yield curve to determine the fair value of the assets and liabilities.

The following condensed statement of net assets acquired reflects the fair value assigned to Maine's net assets as of the acquisition date.

Condensed Statement of Net Assets Acquired

	January 1, 2014
Assets	
Net Loans	$ 298,367
Cash	2,552
Accrued interest receivable	1,767
Other assets	26,121
Total Assets	**$ 328,807**
Liabilities	
Notes payable	$ 253,239
Other liabilities	3,113
Total Liabilities	**$ 256,352**
Fair Value of Net Assets Acquired	**$ 72,455**

The assets acquired included gross loans at fair value of $298.4 million with a contractual amount of $298.1 million. As of January 1, 2014 the gross contractual amount of loans not expected to be collected was zero.

Operations

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses.

The Association provides additional services to borrowers such as financial recordkeeping, payroll, tax return preparation, tax planning, farm accounting software, fee appraisals, farm business consulting, and leasing. The Association also offers credit life insurance and multi-peril crop insurance to its borrowers, as an agent.

Upon request, stockholders of the Association will be provided with a CoBank Annual Report to Stockholders, which includes the combined financial statements of the Bank and its related Associations. The Association's financial condition may be impacted by factors which affect CoBank. CoBank's Annual Report to Stockholders discusses the material aspects of its financial condition, changes in financial condition, and results of operations. In addition, the CoBank Annual Report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Corporation. The lending and financial services performed by CoBank are described in Note 1 of CoBank's Annual Report to Stockholders.

NOTE 2 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results may differ from these estimates.

Certain amounts in prior year's financial statements have been reclassified to conform to current financial statement presentation. The consolidated financial statements include the accounts of Farm Credit East, PCA and Farm Credit East, FLCA. All inter-company transactions have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. The guidance becomes effective for the first interim reporting period within the annual reporting periods after December 15, 2016. The Association is in the process of reviewing contracts to determine the effect, if any, on the Association's financial condition or its results of operations.

Cash

Cash, as included in the statement of cash flows, represents cash on hand and on deposit at banks.

Investment Securities

The Association, as permitted under the FCA regulations, can hold investments for purposes of maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk. The Association's investments may not necessarily be held to maturity and accordingly are classified as available-for-sale. These investments are reported at fair value with unrealized gains and losses that are netted and reported as a separate component of members' equity (accumulated other comprehensive income (loss)) in the consolidated balance sheet. Changes in the fair value of these investments are reflected as direct charges or credits to other comprehensive income, unless the investment is deemed to be other than temporarily impaired. Impairment is considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to as a "credit loss"). If an entity intends to sell an impaired debt security or is more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other-than-temporary and should be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income. Gains and losses on the sales of investments available-for-sale are determined using the specific identification method. Premiums and discounts are amortized or accreted into interest income over the term of the respective issues. The Association does not hold investments for trading purposes.

Loans

Long-term real estate mortgage loans generally have maturities ranging from 5 to 40 years. Substantially all short-term and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment to yield.

Loans acquired in a business combination are initially recognized at fair value, and therefore, no "carryover" of the allowance for loan losses is permitted. Those loans with evidence of credit quality deterioration at purchase are required to follow the authoritative accounting guidance on "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." This guidance addresses accounting for differences between contractual cash flows and cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. The initial fair values for these types of loans are determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value.

Impaired loans are loans for which it is probable that principal and interest will not be collected according to the contractual terms of the loan and are generally considered substandard or doubtful which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest, and penalty interest accrued as the result of past due status, is collected or otherwise discharged in full.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) and/or charged-off against the allowance for loan losses (if accrued in the prior year). Loans are charged-off at the time they are determined to be uncollectible.

A restructured loan constitutes a troubled debt restructuring if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider.

When loans are in nonaccrual status, the Association's general practice is to apply and record on its financial records any payments received on nonaccrual loans in the following sequence: (1) to existing principal which includes outstanding principal, accounts receivable and accrued interest receivable as of the date of transfer into nonaccrual status plus any additional advances made since the loan was placed in nonaccrual status; (2) to recover any charged-off amount; and (3) to interest income. Nonaccrual loans may, at times, be maintained on a cash basis. Generally cash basis refers to the recognition of interest income from cash payments received on certain nonaccrual loans for which the collectability of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered prior charge-off associated with it. Nonaccrual loans may be returned to accrual status when principal and interest are current and reinstatement is supported by a period of sustained performance in accordance with the contractual terms of the note and/or loan agreement and the loan is not classified "doubtful" or "loss".

The Association purchases loan and lease participations from other System and non-System entities to generate additional earnings and diversify risk- related to existing commodities financed and the geographic area served. Additionally, the Association sells a portion of certain large loans to other System and non-System entities to reduce risk and comply with established lending limits. Loans are sold following accounting requirements for sale treatment.

The Association uses a two-dimensional loan rating model based on an internally generated combined system risk rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The change in probability of default grows more rapidly as a loan moves from a "9" (acceptable) to "10" (other assets especially mentioned). Again, there is another large increase in probability of default when a loan moves from "10" to "11" (substandard (viable) level). A substandard (non-viable) rating indicates that the probability of default is almost certain.

Allowance for Loan Losses and Reserve for Unfunded Commitments

The allowance for loan losses reflects an adjustment to the value of our total loan portfolio for inherent credit losses related to outstanding balances. We also maintain a separate reserve for unfunded commitments which is reported as a liability on the Association's consolidated balance sheet. The reserve for unfunded commitments represents an additional reserve for binding commitments to extend credit. The Association had $1.9 billion of commitments to extend credit at December 31, 2014. The amount of allowance for loan losses and reserve for unfunded commitments can fluctuate based on the seasonal nature of borrowings in the agriculture industry. We refer to the combined amounts of the allowance for loan losses and the reserve for unfunded commitments as the "allowance for credit losses". At December 31, 2014, the allowance for credit losses totaled $85.3 million, of which $74.0 million related to the allowance for loan losses and $11.3 million related to the reserve for unfunded commitments.

The allowance for credit losses is maintained at a level management considers sufficient to absorb losses inherent in the loan portfolio and in unfunded commitments. The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation, and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio characteristics and composition, collateral values, loan quality, current production conditions and economic conditions, and prior loan loss experience. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the institutions' expectations and predictions of those circumstances. Management considers the following factors in determining and supporting the level of allowance for credit losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

The allowance for credit losses includes components for loans individually evaluated for impairment, loans collectively evaluated for impairment and loans acquired with deteriorated credit quality. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, if the loan is collateral dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model as previously discussed.

Investment in CoBank, ACB

The Association's investment in CoBank is in the form of Class A stock. The minimum required investment is 4.00 percent of the prior year's average direct loan volume. The investment in CoBank is composed of patronage based stock and purchased stock. Accounting for this investment is on the cost plus allocated equities basis.

Other Property Owned

Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in other property owned expenses, net in the consolidated Statement of Comprehensive Income.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense and improvements are capitalized.

Employee Benefit Plans

Substantially all employees of the Association may be eligible to participate in various retirement plans. Association employees (except the former Maine employees who are participants in the noncontributory defined contribution plan) hired prior to January 1, 2007 participate in a qualified defined benefit pension plan, which is noncontributory and covers substantially all employees. The net expense for this plan is recorded as employee benefit expense. The "Projected Unit Credit" actuarial method is used for financial reporting and funding purposes.

Effective January 1, 2007, the Association closed the existing defined benefit pension plan to new participants. All employees hired on or after January 1, 2007 are participants in a noncontributory defined contribution plan. Participants in this plan receive a fixed percentage of their eligible wages, based on years of service, to an investment account maintained for the employee. Costs for this plan are expensed as funded and recorded as employee benefit expense.

Association employees are also eligible to participate in an employee savings plan (Thrift Plan). The Association matches a certain percentage of employee contributions with costs being expensed as funded. These costs are recorded as employee benefit expense.

The Association provides certain health care and life insurance benefits to eligible retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service and are classified as employee benefit expense. However, substantially all participants pay the full premiums associated with these benefits.

Income Taxes

As previously described, Farm Credit East, ACA operates two wholly owned subsidiaries. Farm Credit East, FLCA is exempt from federal and other income taxes as provided in the Farm Credit Act. Farm Credit East, ACA and its subsidiary Farm Credit East, PCA are subject to Federal and State income tax. All entities are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation.

Deferred taxes are recorded on the tax effect of all temporary differences. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of our expected patronage program, which reduces taxable earnings.

Deferred income taxes have not been provided by the Association on patronage stock distributions from the Farm Credit Bank of Springfield (FCB) prior to January 1, 1993, the adoption date of the FASB guidance on income taxes. Management's intent is (1) to permanently invest these and other undistributed earnings in the FCB, thereby indefinitely postponing their conversion to cash, or (2) to pass through any distribution related to pre-1993 earnings to Association borrowers through qualified patronage allocations. CoBank is the successor to the FCB.

The Association has not provided deferred income taxes on amounts allocated to the Association which relate to the FCB's and CoBank's post-1992 earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on the FCB's and CoBank's post-1992 unallocated earnings. CoBank currently has no plans to distribute unallocated earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

Patronage Income from CoBank, ACB

The Association records patronage refunds from CoBank, ACB on the accrual basis.

Derivative Instruments and Hedging Activity

The Association is party to derivative financial instruments, primarily interest rate swaps, which are principally used to manage interest rate risk on assets, liabilities and anticipated transactions. Derivatives are recorded on the balance sheet as assets and liabilities at fair value.

Changes in the fair value of a derivative are recorded in current period earnings or accumulated other comprehensive income (loss) depending on the use of the derivative and whether it qualifies for hedge accounting. For fair-value hedge transactions, which hedge changes in the fair value of assets, liabilities, or firm commitments, changes in the fair value of the derivative are recorded in earnings and will generally be offset by changes in the hedged item's fair value. For cash-flow hedge transactions, which hedge the variability of future cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative will generally be deferred and reported in accumulated other comprehensive income (loss). The gains and losses on the derivative that are deferred and reported in accumulated other comprehensive income (loss) will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recorded in current period earnings. For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings.

The Association formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to (1) a portion of our long-term variable loans on the balance sheet or (2) firm commitments or forecasted transactions. The Association also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. The Association uses regression analysis (or statistical analysis) to assess the effectiveness of its hedges. The Association discontinues hedge accounting prospectively when the Association determines that 1) a derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; 2) the derivative expires or is sold, terminated, or exercised; 3) it is no longer probable that the forecasted transaction will occur; 4) a hedged firm commitment no longer meets the definition of a firm commitment; or 5) management determines that designating the derivative as a hedging instrument is no longer appropriate. The accounting guidance provides for various remedies in the event hedge accounting is discontinued. Due to the structure of the Association's current swap transactions, management has no reason to believe that hedge accounting qualifications will not be met and believes the transactions will continue to be recorded in the manner described in Note 15 of these consolidated financial statements.

Fair Value Measurement

The Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It 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 1 asset and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to the Association's deferred compensation plan and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds, and fixed-income securities that are actively traded are also included in Level 1.

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: (a) quoted prices for similar assets or liabilities in active markets; (b) 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; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities are reported in Level 2.

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 values are 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. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 13 of these consolidated financial statements.

Off-Balance Sheet Credit Exposures

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

Pilot Investment Program and Mission Related Investments

On July 1, 2005 the Farm Credit Administration approved a pilot investment program for the Association designed to provide an opportunity for the Association to invest in Western New York agriculture. The approval provided for the ability to purchase investments in a securitized pool of agricultural loans from Rural Investments, LLC for a period of up to one year. On August 26, 2005 the Association entered into an agreement with Rural Investments, LLC (Rural Investments) a special purpose entity created by the Association and GSS Holdings, Inc. to hold loans sold by a commercial lender. Rural Investments was formed specifically to own and securitize the loans and subsequently sell the security to the Association as an investment. Rural Investments sole member is GSS Holdings, Inc. a Delaware special purpose entity created to own Rural Investments. The Association is the manager and through agreement controls Rural Investments and all its activities. All benefits and risks accrue to the Association as manager. The FLCA holds the investment security certificate.

The investment is carried at the lower of cost or fair market value. A valuation to determine fair market value is performed monthly by management, taking into account cash flows and the underlying loans contained in the investment. Income is recorded on investments only as it relates to underlying loans contained in the security that would be classified as accruing had the Association owned the loans. Interest is accrued and credited to interest income based upon the daily investment value. Any difference between amortized cost and actual borrower balances on the underlying loans is accreted to interest income as payments are received over the life of the investment. Any reduction in value recognized through the ongoing fair market value determination is recorded as a current charge and will directly impact the income statement at the time of recognition. No valuation allowance is maintained. Income is not recognized on the underlying loans contained in the investment for loans that would be considered impaired if the loans were owned by the Association. The Association's practice is to apply and record payments received on impaired underlying loans in the following sequence:

1. To existing principal until all principal is paid, and then
2. To interest income

Underlying loans contained in the investment may be returned to accrual status once performance criteria are met. Upon reinstatement, previously unrecognized income will be recognized as payments are received over the remaining life of the investment. See Note 14 for additional information regarding the rural investment.

The Association may also hold additional investments in accordance with mission-related and other investment programs, approved by the Farm Credit Administration. These programs allow the Association to make investments that further the System's mission to serve rural America. The Association held mission related investments which are classified as loans totaling $9,371, $9,182 and $9,406 at December 31, 2014, 2013 and 2012, respectively. The Association also held an equity investment in FarmStart, LLP of $1,182, $1,128 and $1,184 that is accounted for on the equity method and is classified as other assets at December 31, 2014, 2013 and 2012, respectively.

NOTE 3 – Loans, Loan Quality and Allowance for Credit Losses

Loans Outstanding

Loans outstanding by loan type are shown below:

December 31	2014		2013		2012	
Real estate mortgage	$ 2,637,604	45.6%	$ 2,413,645	48.5%	$ 2,259,325	48.2%
Production and intermediate	2,099,809	36.3%	1,826,825	36.7%	1,713,175	36.5%
Loans to cooperatives	140,217	2.4%	120,773	2.4%	165,047	3.5%
Processing and marketing	534,908	9.2%	270,972	5.4%	225,349	4.8%
Farm related business	243,269	4.2%	223,252	4.5%	244,788	5.2%
Communication	4,936	0.1%	5,267	0.1%	4,195	0.1%
Energy	63,173	1.1%	59,742	1.2%	12,941	0.3%
Rural residential real estate	61,128	1.0%	61,944	1.2%	61,182	1.3%
Water/Waste water	3,600	0.1%	0	0.0%	6,666	0.1%
Total Loans	$ 5,788,644	100.0%	$ 4,982,420	100.0%	$ 4,692,668	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 2014 which are also included in the table above:

	CoBank, ACB Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 158	$ 50,370	$ 155,675	$ 15,692	$ 0	$ 0	$ 155,833	$ 66,062
Production and intermediate	50,345	142,704	255,483	62,868	0	0	305,828	205,572
Agribusiness	268,986	202,251	100,023	211,054	210,294	631	579,303	413,936
Communication	4,924	0	0	0	0	0	4,924	0
Energy	63,197	0	0	0	0	0	63,197	0
Water/Waste water	3,600	0	0	0	0	0	3,600	0
Total Loans	$ 391,210	$ 395,325	$ 511,181	$ 289,614	$ 210,294	$ 631	$1,112,685	$ 685,570

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for credit losses.

December 31	2014		2013		2012	
Dairy	$ 1,235,252	21.3%	$ 1,164,060	23.4%	$ 1,105,306	23.6%
Timber	643,757	11.1%	479,074	9.6%	422,075	9.0%
Cash Field	606,841	10.5%	570,195	11.4%	519,204	11.1%
Livestock	536,138	9.3%	500,221	10.0%	448,121	9.5%
Fruit	507,499	8.8%	353,357	7.1%	313,363	6.7%
Processing & Marketing	491,951	8.5%	262,687	5.3%	218,647	4.7%
Greenhouse	246,576	4.3%	261,565	5.2%	264,859	5.6%
Farm Services	245,598	4.2%	229,103	4.6%	239,125	5.1%
Nursery	242,700	4.2%	240,383	4.8%	235,025	5.0%
Aquatic	218,611	3.8%	169,849	3.4%	140,123	3.0%
Potato	172,649	3.0%	66,520	1.3%	62,164	1.3%
Vegetables	171,738	3.0%	165,465	3.3%	175,360	3.7%
All Other	469,334	8.0%	519,941	10.6%	549,296	11.7%
Total	$ 5,788,644	100%	$ 4,982,420	100%	$ 4,692,668	100%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan to value ratios in excess of the regulatory maximum.

Allowance for Credit Losses

The following tables present the changes in the components of our allowance for credit losses and the details of the ending balances. The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded commitments.

December 31, 2014	Real Estate Mortgage	Production and Intermediate	Agribusiness	Commun-ications	Energy & Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Loan Losses							
Beginning balance	$ 31,564	$ 23,232	$ 16,149	$ 49	$ 1,231	$ 391	$ 72,616
Charge-offs	(1,145)	(354)	(222)	0	0	0	(1,721)
Recoveries	622	1,343	1,135	0	0	0	3,100
Provision for loan losses	(838)	(115)	(219)	0	1,193	(21)	0
Transfers (to) from reserve for unfunded commitments	184	80	(54)	0	(162)	(4)	44
Ending balance	$ 30,387	$ 24,186	$ 16,789	$ 49	$ 2,262	$ 366	$ 74,039
Reserve for Unfunded Commitments							
Beginning balance	$ 4,725	$ 3,729	$ 2,626	$ 8	$ 201	$ 44	$ 11,333
Transfers (to) from allowance for loan losses	(184)	(80)	54	0	162	4	(44)
Ending balance	$ 4,541	$ 3,649	$ 2,680	$ 8	$ 363	$ 48	$ 11,289
Allowance for Credit Losses	$ 34,928	$ 27,835	$ 19,469	$ 57	$ 2,625	$ 414	$ 85,328

	Real Estate Mortgage	Production and Intermediate	Agribusiness	Commun-ications	Energy & Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	$ 2,149	$ 1,444	$ 100	$ 0	$ 0	$ 64	$ 3,757
Collectively evaluated for impairment	32,779	26,391	19,369	57	2,625	350	81,571
Total	$ 34,928	$ 27,835	$ 19,469	$ 57	$ 2,625	$ 414	$ 85,328
Loans							
Ending balance for loans:							
Individually evaluated for impairment	$ 9,139	$ 3,756	$ 145	$ 0	$ 0	$ 268	$ 13,308
Collectively evaluated for impairment	2,628,465	2,096,053	918,249	4,936	66,773	60,860	5,775,336
Total	$ 2,637,604	$ 2,099,809	$ 918,394	$ 4,936	$ 66,773	$ 61,128	$ 5,788,644

December 31, 2013	Real Estate Mortgage	Production and Intermediate	Agribusiness	Commun-ications	Energy & Water/ Waste Water	Rural Residential Real Estate	Total
Allowance for Loan Losses							
Beginning balance	$ 15,085	$ 16,808	$ 21,375	$ 52	$ 408	$ 314	$ 54,042
Charge-offs	(784)	(115)	(43)	0	0	0	(942)
Recoveries	2,193	744	0	0	0	0	2,937
Provision for loan losses	14,997	2,662	(11,542)	(18)	852	49	7,000
Transfers (to) from reserve for unfunded commitments	73	3,133	6,359	15	(29)	28	9,579
Ending balance	$ 31,564	$ 23,232	$ 16,149	$ 49	$ 1,231	$ 391	$ 72,616
Reserve for Unfunded Commitments							
Beginning balance	$ 4,798	$ 6,862	$ 8,985	$ 23	$ 172	$ 72	$ 20,912
Transfers (to) from allowance for loan losses	(73)	(3,133)	(6,359)	(15)	29	(28)	(9,579)
Ending balance	$ 4,725	$ 3,729	$ 2,626	$ 8	$ 201	$ 44	$ 11,333
Allowance for Credit Losses	$ 36,289	$ 26,961	$ 18,775	$ 57	$ 1,432	$ 435	$ 83,949
Allowance for Credit Losses							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	$ 2,529	$ 320	$ 10	$ 0	$ 0	$ 118	$ 2,977
Collectively evaluated for impairment	33,760	26,641	18,765	57	1,432	317	80,972
Total	$ 36,289	$ 26,961	$ 18,775	$ 57	$ 1,432	$ 435	$ 83,949
Loans							
Ending balance for loans:							
Individually evaluated for impairment	$ 8,103	$ 1,631	$ 16	$ 0	$ 0	$ 320	$ 10,070
Collectively evaluated for impairment	2,405,542	1,825,194	614,981	5,267	59,742	61,624	4,972,350
Total	$ 2,413,645	$ 1,826,825	$ 614,997	$ 5,267	$ 59,742	$ 61,944	$ 4,982,420

December 31, 2012	Real Estate Mortgage	Production and Intermediate	Agribusiness	Commun-ications	Energy & Water/ Waste Water	Rural Residential Real Estate	Total
Allowance for Loan Losses							
Beginning balance	$ 11,713	$ 17,281	$ 16,619	$ 1	$ 53	$ 318	$ 45,985
Charge-offs	(4,180)	(6,333)	(21)	0	0	0	(10,534)
Recoveries	496	361	0	0	45	0	902
Provision for loan losses	7,295	5,461	6,710	74	458	2	20,000
Transfers (to) from reserve for unfunded commitments	(239)	38	(1,933)	(23)	(148)	(6)	(2,311)
Ending balance	$ 15,085	$ 16,808	$ 21,375	$ 52	$ 408	$ 314	$ 54,042
Reserve for Unfunded Commitments							
Beginning balance	$ 4,559	$ 6,900	$ 7,052	$ 0	$ 24	$ 66	$ 18,601
Transfers (to) from allowance for loan losses	239	(38)	1,933	23	148	6	2,311
Ending balance	$ 4,798	$ 6,862	$ 8,985	$ 23	$ 172	$ 72	$ 20,912
Allowance for Credit Losses	$ 19,883	$ 23,670	$ 30,360	$ 75	$ 580	$ 386	$ 74,954
Allowance for Credit Losses							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	$ 3,679	$ 494	$ 12	$ 0	$ 0	$ 140	$ 4,325
Collectively evaluated for impairment	16,204	23,176	30,348	75	580	246	70,629
Total	$ 19,883	$ 23,670	$ 30,360	$ 75	$ 580	$ 386	$ 74,954
Loans							
Ending balance for loans:							
Individually evaluated for impairment	$ 5,560	$ 2,011	$ 18	$ 0	$ 0	$ 348	$ 7,937
Collectively evaluated for impairment	2,253,765	1,711,164	635,165	4,195	19,608	60,834	4,684,731
Total	$ 2,259,325	$ 1,713,175	$ 635,183	$ 4,195	$ 19,608	$ 61,182	$ 4,692,668

Credit Quality

One credit quality indicator utilized by the Bank and Associations is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

December 31, 2014	Acceptable	OAEM	Substandard /Doubtful	Total
Real estate mortgage	42.5%	1.6%	1.5%	45.6%
Production and Intermediate term	34.4%	1.1%	0.8%	36.3%
Loans to cooperatives	2.4%	0.0%	0.0%	2.4%
Processing and marketing	8.8%	0.2%	0.2%	9.2%
Farm related business	3.7%	0.2%	0.3%	4.2%
Communication	0.1%	0.0%	0.0%	0.1%
Energy and Water/Waste water	1.1%	0.1%	0.0%	1.2%
Rural residential real estate	1.0%	0.0%	0.0%	1.0%
Total	94.0%	3.2%	2.8%	100.0%

December 31, 2013	Acceptable	OAEM	Substandard /Doubtful	Total
Real estate mortgage	4.1%	2.2%	2.2%	48.5%
Production and Intermediate term	34.2%	1.6%	0.9%	36.7%
Loans to cooperatives	2.4%	0.0%	0.0%	2.4%
Processing and marketing	5.4%	0.0%	0.0%	5.4%
Farm related business	3.7%	0.4%	0.3%	4.4%
Communication	0.1%	0.0%	0.0%	0.1%
Energy and Water/Waste water	1.2%	0.0%	0.0%	1.2%
Rural residential real estate	1.2%	0.0%	0.1%	1.3%
Total	92.3%	4.2%	3.5%	100.0%

December 31, 2012	Acceptable	OAEM	Substandard /Doubtful	Total
Real estate mortgage	43.4%	1.8%	2.9%	48.1%
Production and Intermediate term	33.5%	1.4%	1.6%	36.5%
Loans to cooperatives	3.5%	0.0%	0.0%	3.5%
Processing and marketing	4.6%	0.2%	0.0%	4.8%
Farm related business	4.8%	0.2%	0.2%	5.2%
Communication	0.1%	0.0%	0.0%	0.1%
Energy and Water/Waste water	0.4%	0.0%	0.0%	0.4%
Rural residential real estate	1.2%	0.1%	0.1%	1.4%
Total	91.5%	3.7%	4.8%	100.0%

To mitigate the risk of loan losses, the Association may enter into long-term standby commitments to purchase agreements with the Federal Agricultural Mortgage Corporation (Farmer Mac). The agreements, which are effectively credit guarantees that will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of default (typically four months past due), subject to certain conditions. The balance of loans under long-term standby commitments was $46,338, $53,209 and $62,238 at December 31, 2014, 2013 and 2012 respectively. Fees paid to Farmer Mac for such commitments totaled $253, $295 and $359 for the years ended December 31, 2014, 2013 and 2012, respectively. These amounts are classified as noninterest expense. In addition to Farmer Mac, the Association has credit enhancements with federal government agencies totaling $281.6 million, $271.9 million and $300.8 million at December 31, 2014, 2013 and 2012 respectively.

Impaired Loans

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and payments received on nonaccrual impaired loans are applied in a similar manner as for nonaccrual loans, as described in Note 2.

The following table presents information relating to impaired loans:

December 31	2014	2013	2012
Nonaccrual loans:			
Current as to principal and interest	$ 26,086	$ 30,546	$ 37,298
Past due	32,604	29,828	34,902
Total nonaccrual loans	$ 58,690	$ 60,374	$ 72,200
Impaired accruing loans:			
Restructured accruing loans	$ 79	$ 1,353	$ 1,572
Accruing loans 90 days or more past due	4,204	2,132	1,374
Total impaired accruing loans	$ 4,283	$ 3,485	$ 2,946
Total impaired loans	$ 62,973	$ 63,859	$ 75,146

Nonperforming assets (including related accrued interest) are as follows:

December 31	2014	2013	2012
Nonaccrual loans:			
Real estate mortgage	$ 42,029	$ 40,848	$ 44,052
Production and intermediate term	14,679	18,041	26,464
Agribusiness	1,650	1,116	1,296
Rural residential real estate	332	369	388
Total nonaccrual loans	$ 58,690	$ 60,374	$ 72,200
Accruing restructured loans:			
Production and intermediate term	$ 79	$ 0	$ 0
Agribusiness	0	1,353	1,572
Total accruing restructured loans	$ 79	$ 1,353	$ 1,572
Accruing loans 90 days or more past due:			
Real estate mortgage	$ 1,907	$ 994	$ 1,313
Production and intermediate term	2,541	1,210	102
Total accruing loans 90 days or more past due	$ 4,448	$ 2,204	$ 1,415
Total nonperforming loans	$ 63,217	$ 63,931	$ 75,187
Other owned property	$ 2,913	$ 6,147	$ 2,533
Total nonperforming assets	$ 66,130	$ 70,078	$ 77,720

The following tables present information on impaired loans and related amounts in the allowance for loan losses.

	As of December 31, 2014			For the period ended 12/31/14	
	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 9,139	$ 10,443	$ 2,149	$ 6,976	$ (125)
Production and intermediate term	3,756	4,376	1,444	3,449	(15)
Farm-related business	145	159	100	126	(1)
Rural residential real estate	268	438	64	289	0
Total	$ 13,308	$ 15,416	$ 3,757	$ 10,840	$ (141)
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 34,686	$ 45,137	$ 0	$ 36,095	$ 1,841
Production and intermediate term	13,409	21,942	0	15,932	1,362
Processing and marketing	0	0	0	229	(19)
Farm-related business	1,506	3,095	0	1,237	161
Rural residential real estate	64	83	0	10	2
Total	$ 49,665	$ 70,257	$ 0	$ 53,503	$ 3,347
Total Impaired loans:					
Real estate mortgage	$ 43,825	$ 55,580	$ 2,149	$ 43,071	$ 1,716
Production and intermediate term	17,165	26,318	1,444	19,381	1,347
Processing and marketing	0	0	0	229	(19)
Farm-related business	1,651	3,254	100	1,363	160
Rural residential real estate	332	521	64	299	2
Total	$ 62,973	$ 85,673	$ 3,757	$ 64,343	$ 3,206

[a]Unpaid principal balance represents the borrower's contractual balance of the loan

	As of December 31, 2013			For the period ended 12/31/13	
	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 8,103	$ 9,015	$ 2,529	$ 7,712	$ (32)
Production and intermediate term	1,631	3,735	320	1,919	(1)
Farm-related business	16	25	10	17	0
Rural residential real estate	320	445	118	335	0
Total	$ 10,070	$ 13,220	$ 2,977	$ 9,983	$ (33)
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 33,743	$ 44,951	$ 0	$ 36,833	$ 1,076
Production and intermediate term	17,621	29,382	0	18,183	584
Processing and marketing	1,353	1,353	0	1,541	94
Farm-related business	1,100	2,912	0	1,202	230
Rural residential real estate	48	86	0	48	10
Total	$ 53,865	$ 78,684	$ 0	$ 57,807	$ 1,994
Total Impaired loans:					
Real estate mortgage	$ 41,846	$ 53,966	$ 2,529	$ 44,545	$ 1,044
Production and intermediate term	19,252	33,117	320	20,102	583
Processing and marketing	1,353	1,353	0	1,541	94
Farm-related business	1,116	2,937	10	1,219	230
Rural residential real estate	368	531	118	383	10
Total	$ 63,935	$ 91,904	$ 2,977	$ 67,790	$ 1,961

[a]Unpaid principal balance represents the borrower's contractual balance of the loan

	As of December 31, 2012			For the period ended 12/31/12	
	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 5,560	$ 11,708	$ 3,679	$ 5,696	$ (633)
Production and intermediate term	2,011	2,256	494	1,510	(552)
Farm-related business	18	24	12	18	0
Rural residential real estate	348	446	140	357	0
Total	$ 7,937	$ 14,434	$ 4,325	$ 7,581	$ (1,185)
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 39,766	$ 49,247	$ 0	$ 31,104	$ 1,199
Production and intermediate term	23,722	41,113	0	20,105	176
Loans to cooperatives	0	0	0	970	321
Processing and marketing	2,403	2,403	0	2,426	98
Farm-related business	1,278	2,981	0	1,475	71
Rural residential real estate	40	79	0	45	15
Total	$ 67,209	$ 95,823	$ 0	$ 56,125	$ 1,880
Total Impaired loans:					
Real estate mortgage	$ 45,326	$ 60,955	$ 3,679	$ 36,800	$ 566
Production and intermediate term	25,733	43,369	494	21,615	(376)
Loans to cooperatives	0	0	0	970	321
Processing and marketing	2,403	2,403	0	2,426	98
Farm-related business	1,296	3,005	12	1,493	71
Rural residential real estate	388	525	140	402	15
Total	$ 75,146	$ 110,257	$ 4,325	$ 63,706	$ 695

[a]Unpaid principal balance represents the borrower's contractual balance of the loan

Interest income on nonaccrual loans that would have been recognized under the original terms of the loans are as follows:

Year ended December 31	2014	2013	2012
Interest income which would have been recognized under the original loan terms	$ 5,784	$ 6,174	$ 8,285
Less: interest income recognized	2,974	1,624	559
Forgone interest income	$ 2,810	$ 4,550	$ 7,726

Commitments on Impaired loans

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2014, 2013 and 2012.

Aging Analysis

The following table provides an age analysis of past due loans as of period end December 31, 2014, 2013 and 2012:

December 31, 2014	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 days or More Past Due
Real estate mortgage	$ 15,852	$ 24,634	$ 40,486	$ 2,597,118	$ 2,637,604	$ 1,796
Production and intermediate term	2,386	9,877	12,263	2,087,546	2,099,809	2,408
Loans to cooperatives	0	0	0	140,217	140,217	0
Processing and marketing	0	0	0	534,908	534,908	0
Farm related business	1	1,372	1,373	241,896	243,269	0
Communication	0	0	0	4,936	4,936	0
Energy and Water/Waste water	0	0	0	66,773	66,773	0
Rural residential real estate	253	332	585	60,543	61,128	0
Total Loans	$ 18,492	$ 36,215	$ 54,707	$ 5,733,937	$ 5,788,644	$ 4,204

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

December 31, 2013	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 days or More Past Due
Real estate mortgage	$ 25,418	$ 16,371	$ 41,789	$ 2,371,856	$ 2,413,645	$ 958
Production and intermediate term	4,497	13,795	18,292	1,808,533	1,826,825	1,174
Loans to cooperatives	0	0	0	120,773	120,773	0
Processing and marketing	0	0	0	270,972	270,972	0
Farm related business	287	442	729	222,523	223,252	0
Communication	0	0	0	5,267	5,267	0
Energy and Water/Waste water	0	0	0	59,742	59,742	0
Rural residential real estate	497	334	831	61,113	61,944	0
Total Loans	$ 30,699	$ 30,942	$ 61,641	$ 4,920,779	$ 4,982,420	$ 2,132

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

December 31, 2012	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 days or More Past Due
Real estate mortgage	$ 27,044	$ 20,038	$ 47,082	$ 2,212,243	$ 2,259,325	$ 1,274
Production and intermediate term	9,034	11,702	20,736	1,692,439	1,713,175	100
Loans to cooperatives	0	0	0	165,047	165,047	0
Processing and marketing	501	0	501	224,848	225,349	0
Farm related business	296	849	1,145	243,643	244,788	0
Communication	0	0	0	4,195	4,195	0
Energy and Water/Waste water	0	0	0	19,607	19,607	0
Rural residential real estate	447	348	795	60,387	61,182	0
Total Loans	$ 37,322	$ 32,937	$ 70,259	$ 4,622,409	$ 4,692,668	$ 1,374

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

Troubled Debt Restructuring

A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following table presents additional information regarding troubled debt restructurings (whether accrual or nonaccrual in each year) that occurred during the period. The concessions granted by the Association was a below market interest rate.

	Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Real estate mortgage	$ 0	$ 0	$ 340	$ 340	$ 11,710	$ 11,710
Production and intermediate term	0	0	0	0	8,953	8,953
Total	$ 0	$ 0	$ 340	$ 340	$ 20,663	$ 20,663

* pre-modification represents the recorded investment just prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

Subsequent to their restructuring, no troubled debt restructurings subsequently defaulted. There were additional commitments to lend to borrowers whose loans have been modified in TDRs of $0.8 million at December 31, 2014 compared to $0 at December 31, 2013 and $0.4 million at December 31, 2012.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan tables.

	Loans Modified as TDRs			TDRs in Nonaccrual Status*		
	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2014	December 31, 2013	December 31, 2012
Real estate mortgage	$ 10,931	$ 12,127	$ 14,748	$ 10,931	$ 12,127	$ 14,748
Production and intermediate term	4,324	4,919	8,953	4,245	4,919	8,953
Processing and marketing	0	1,353	1,572	0	0	0
Total	$ 15,255	$ 18,399	$ 25,273	$ 15,176	$ 17,046	$ 23,701

* represents the portion of loans modified as TDRs (first column) that are in nonaccrual status

NOTE 4 – Investment in CoBank, ACB

At December 31, 2014, the Associations' investment in CoBank is in the form of Class A stock with a par value of $100 per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 4 percent of the Associations' prior year average direct loan balance. The 2014 requirement for capitalizing its patronage-based participation loans sold to CoBank is 8 percent of the Associations' prior ten-year average balance of such participations sold to CoBank. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75 percent cash and 25 percent Class A stock. The capital plan is evaluated annually by CoBank's board and management and is subject to change.

CoBank may require the holders of its equities to subscribe for such additional capital as may be needed to meet its capital requirements or its joint and several liability under the Act and regulations. In making such a capital call, CoBank shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

The Association owns 7.1 percent of the issued stock of the ACB as of December 31, 2014. As of that date, the ACB's assets totaled $107.4 billion and members' equity totaled $7.4 billion. The ACB earned net income of $904.3 million during 2014.

NOTE 5 – Premises and Equipment

Premises and equipment consists of the following:

As of December 31	2014	2013	2012
Land	$ 981	$ 939	$ 939
Buildings and improvements	22,830	18,534	17,896
Furniture and equipment	7,028	6,804	6,563
Autos	4,759	4,094	3,974
Construction in progress	426	3	45
Premises and equipment at cost	$ 36,024	$ 30,374	$ 29,417
Less: accumulated depreciation	17,581	15,154	13,918
Total premises and equipment, net	$ 18,443	$ 15,220	$ 15,499

NOTE 6 – Notes Payable to CoBank, ACB

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a General Financing Agreement (GFA). The GFA and promissory note are subject to periodic renewals in the normal course of business. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2014. The interest rate may periodically be adjusted by CoBank based on the terms and conditions of the borrowing. The weighted average interest rate was 1.11 percent for the year ended December 31, 2014, compared with 1.15 percent at December 31, 2013, and 1.19 percent at December 31, 2012.

CoBank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2014, the Association's notes payable are within the specified limitations.

NOTE 7 – Members' Equity

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below. Members' equity is described and governed by the Association's capitalization policies. Farm Credit East's capitalization policies are specified in the Bylaws and in the Capitalization Plan approved by the Board of Directors. Copies of the Association's Bylaws and Capitalization Plan are available to members at any time.

The components of Association capital that are allocated directly to members are capital stock, participation certificates, and allocated surplus.

Capital stock and participation certificates

In accordance with the Farm Credit Act, and the Association's capitalization Bylaws and Capitalization Plan, each Association borrower, as a condition of borrowing, is required at the time the loan is made, to invest in Class B Stock for agricultural loans or Class B Participation Certificates for country home and farm related business loans. Association Bylaws require that borrowers acquire capital stock or participation certificates, as a condition of borrowing, at least the lesser of $1,000 or 2 percent of the amount of the loan, and not more than 10 percent of the amount of the loan.

Pursuant to the Association Capitalization Plan, the Association Board has determined that Class B stock and Class B participation certificates shall be issued as follows:

For all loans (except where indicated below) Class B stock and Class B participation certificates shall be issued equal to one thousand dollars per customer as a condition of borrowing from this Association. For purposes of borrower stock, a customer is defined as the primary borrower on a loan. The intent of this policy is for each primary customer to have one thousand dollars of stock, regardless of the number of loans or balance on those loans to that customer. Stock shall be purchased at the beginning of a customer's relationship and will not be retired until all loans to that customer are paid in full and there are no funds available for advances.
Exceptions to this policy are:

- At the time of the Farm Credit East mergers (in 2010 and 2014), certain customers with less than one thousand dollars of stock were "grandfathered" at the stock level at conversion. Grandfathered customer stock will be frozen at converted levels until all loans are repaid, at which time the stock will be retired, or increased to one thousand dollars at the time of a future advance or credit action
- Certain small borrowers (customers with total commitment less than ten thousand dollars initially) will be issued at 10 percent of the initial commitment, consistent with By-Law limitations
- Certain interests in loans sold to other financial institutions
- Loans to be sold into the secondary market

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates. All stock and participation certificates are retired at the discretion of the Association's Board of Directors after considering the capitalization plan as well as regulatory and other requirements.

Regulatory capitalization requirements and restrictions

FCA's capital adequacy regulations require the Association to achieve permanent capital of 7 percent of risk-adjusted assets and off-balance-sheet commitments. Failure to meet the 7.0 percent capital requirement can initiate certain mandatory and possibly additional discretionary actions by FCA that, if undertaken, could have a direct material effect on the Association's financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to shareholders unless prescribed capital standards are met. FCA regulations also require that additional minimum standards for capital be achieved. These standards are summarized below:

	FCA Regulatory Minimum	Ratios at December 31, 2014
Permanent Capital Ratio	7.0%	16.23%
Total Surplus Ratio	7.0%	15.99%
Core Surplus Ratio	3.5%	15.95%

With respect to participation loans, the amount of participation certificates purchased and sold between Associations or an Association and CoBank may be negotiated within bylaw limits or may be undercapitalized with suitable negotiated compensation to the participating entity.

An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

Description of equities

Each owner or joint owners of Class B stock are entitled to a single vote, while Class B participation certificates provide no voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock. At December 31, 2014, the Association had 2,528,723 shares of Class B stock outstanding at a par value of $5 per share, 253,244 shares of Class B participation certificates outstanding at a par value of $5 per share, and 688 shares of Class C stock outstanding at a par value of $5 per share.

Ownership of stock, participation certificates, or allocated surplus is sometimes subject to certain risks that could result in a partial or complete loss. These risks include excessive levels of loan losses experienced by the Association, losses resulting from contractual and statutory obligations, impairment of ACB stock owned by the Association, losses resulting from adverse judicial decisions or other losses that may arise in the course of business. In the event of such impairment, borrowers would remain liable for the full amount of their loans.

Any losses which result in impairment of capital stock and participation certificates would be allocated to such purchased capital on a pro rata basis impairing Class B stock and participation certificates. In the case of liquidation or dissolution of the Association, capital stock, participation certificates and allocated surplus would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets.

Patronage distributions

At the end of each year, the Association's Board of Directors evaluates whether to retain the Association's net income to strengthen its capital position or to distribute a portion of the net income to customers by declaring a qualified/cash patronage distribution. Patronage dividends are based on one year's operating results and are distributed in the subsequent year. The portion of patronage-sourced net income not distributed in cash is also allocated to patrons in the form of nonqualified written notices of allocation. Such allocations may provide a future basis for a distribution of capital. These nonqualified written notices of allocation are included in unallocated retained earnings. The Board of Directors considers these unallocated earnings to be permanently invested in the Association. The table below summarizes the qualified/cash patronage distributions for the years ending December 31, 2014, 2013 and 2012. These qualified /cash patronage dividends are distributed in February of the subsequent year.

Earnings Year	Cash Distribution
2014	$ 51,000
2013	$ 42,000
2012	$ 40,000

As outlined in the Farm Credit East Capitalization Plan, if the Association continues to meet its financial goals, it plans to redeem its existing allocated retained earnings acquired with the merger with Maine by the year 2020. A planned $0.8 million redemption occurred in September 2014. Allocated retained earnings are retired at the discretion of the Association's Board of Directors after considering the capitalization plan as well as regulatory and other requirements.

Accumulated Other Comprehensive Income/Loss

Farm Credit East, ACA reports accumulated other comprehensive income (loss) as a component of members' equity, which is reported net of taxes as follows:

December 31	2014	2013	2012
Unrealized (losses) gains on cash flow hedges	$ (1,597)	$ (1,175)	$ 40
Pension and other benefit plans	(40,044)	(22,002)	(36,756)
Total	$ (41,641)	$ (23,177)	$ (36,716)

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

	Unrealized losses on cash flow hedges, net	Pension and other benefit plans
Balance at December 31, 2013	$ (1,175)	$ (22,002)
Net current period other comprehensive (loss) income	(422)	(18,042)
Balance at December 31, 2014	$ (1,597)	$ (40,044)

	Unrealized losses on cash flow hedges, net	Pension and other benefit plans
Balance at December 31, 2012	$ 40	$ (36,756)
Net current period other comprehensive (loss) income	(1,215)	14,754
Balance at December 31, 2013	$ (1,175)	$ (22,002)

	Unrealized losses on cash flow hedges, net	Pension and other benefit plans
Balance at December 31, 2011	$ (231)	$ (32,502)
Net current period other comprehensive (loss) income	271	(4,254)
Balance at December 31, 2012	$ 40	$ (36,756)

NOTE 8 – Patronage Distribution from Farm Credit Institutions

Patronage income recognized from Farm Credit Institutions to the Association is presented below:

December 31	2014	2013	2012
CoBank	$ 23,815	$ 19,527	$ 18,867
Other	538	320	347
Total	$ 24,353	$ 19,847	$ 19,214

Patronage distributions from CoBank relating to the Association's average direct note borrowings are distributed in cash. For CoBank patronage relating to average participated loan volume, a portion is distributed in cash and the remainder in the form of allocated equity. The amount declared by CoBank in December 2014 was accrued and will be paid by CoBank in March 2015. The amount declared in December 2013 and December 2012 were paid in March of the subsequent year.

NOTE 9 – Income Taxes

The provision for income taxes consists of the following:

As of December 31	2014	2013	2012
Current:			
Federal	$ 1,224	$ 974	$ 495
State	261	189	144
Total current provision for income taxes	1,485	1,163	639
Deferred:			
Federal	1,998	(1,659)	381
State	357	(329)	74
Total deferred (benefit) expense from income taxes	2,355	(1,988)	455
Increase (decrease) in deferred tax asset valuation allowance	(992)	1,988	(455)
Provision for income taxes	$ 2,848	$ 1,163	$ 639

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal tax rate to pretax income as follows:

As of December 31	2014	2013	2012
Federal tax at statutory rate	$ 52,108	$ 41,203	$ 38,562
State tax, net	169	129	94
Effect of nontaxable activities	(33,814)	(29,291)	(25,607)
Patronage distribution	(16,634)	(12,731)	(12,035)
Change in valuation allowance	371	1,988	(455)
Other	648	(135)	80
Provision for income taxes	$ 2,848	$ 1,163	$ 639

Deferred tax assets and liabilities are comprised of the following:

As of December 31	2014	2013	2012
Deferred income tax assets:			
Allowance for loan losses	$ 13,628	$ 12,222	$ 9,659
Nonaccrual loan interest	623	2,520	2,201
Credit Mark	0	0	0
Annual leave	838	734	678
Health reserve	349	282	295
Long term incentive	805	739	726
Deferred compensation	1,245	877	687
Retirement plans	620	1,102	5,181
Postretirement benefits other than pensions	5,551	456	602
Other	119	7	17
Gross deferred tax assets	23,778	18,939	20,046
Less: valuation allowance	(16,463)	(10,288)	(14,063)
Deferred tax assets, net	7,315	8,651	5,983
Deferred income tax liabilities:			
Bank patronage after December 31, 1992	(627)	(623)	(622)
CoBank patronage	(4,702)	(3,661)	(3,596)
Depreciation	(1,665)	(1,660)	(1,647)
Pension	(43)	(2,525)	0
Deferred gain	(278)	(182)	(118)
Gross deferred tax liability	(7,315)	(8,651)	(5,983)
Net deferred tax asset	$ 0	$ 0	$ 0

Based on the Association's strategic financial plan, primarily expected future patronage programs and the tax benefits of the FLCA subsidiary, management believes that as of the end of 2014, none of the Association's net deferred tax assets will be realizable in future periods. Accordingly, a valuation allowance is provided against the net deferred tax assets since it has been determined that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized.

The Association has no unrecognized tax benefits for which liabilities have been established for the years ended December 31, 2014, 2013 and 2012. The Association recognizes interest and penalties related to unrecognized tax benefits as an adjustment to income tax expense. The amount of interest recognized was $0 and the amount of penalties recognized was $0 for 2014. The total amount of unrecognized tax benefits that, if recognized would affect the effective tax rate is $0. The Association did not have any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The tax years that remain open for federal and state income tax jurisdictions are 2011 and forward.

NOTE 10 – Employee Benefit Plans

The Association has a 401(k) retirement savings plan pursuant to which the Association matches 100 percent of employees' elective contributions up to a maximum employee contribution of 6 percent of compensation. In addition, under this plan, employees hired on or after January 1, 2007 receive additional non-elective employer defined contributions. The Association contributions to the 401(k) retirement savings plan and the employer defined contribution plan, which are recorded as employee compensation expense, were $2.3 million for 2014 and $1.8 million for 2013 and $1.7 million for 2012.

The Association has employer-funded, qualified defined benefit pension plans, which are noncontributory and cover employees hired prior to January 1, 2007 (except the former Maine employees who are participants in the noncontributory defined contribution plan). Depending on the date of hire, benefits are determined by a formula based on years of service and final average pay. Effective January 1, 2007, the Association closed the remaining qualified defined benefit pension plan to new participants.

The Association also has a noncontributory, unfunded nonqualified supplemental executive retirement plan (SERP) covering the CEO as of December 31, 2014. The Association holds assets in a trust fund related to the SERP; however, such funds remain Association assets and are not included as plan assets in the accompanying disclosures. The defined benefit pension plans and SERP are collectively referred to as Retirement Plans.

All retirement-eligible employees are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other postretirement health care benefits. Participant contributions are adjusted annually.

The following table provides a summary of the changes in the Retirement Plans' projected benefit obligations and fair values of assets over the three-year period ended December 31, 2014 as well as a statement of funded status as of December 31 of each year.

December 31	2014	2013	2012
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$ 102,961	$ 105,709	$ 94,013
Service cost	2,822	3,135	2,686
Interest cost	4,922	4,166	4,380
Actuarial loss (gain)	21,220	(5,210)	10,398
Acquisitions	1,441	0	0
Benefits paid	(4,157)	(4,839)	(5,768)
Projected benefit obligation at end of year	$ 129,209	$ 102,961	$ 105,709
Change in plan assets:			
Fair value of plan assets at beginning of year	$ 106,780	$ 92,730	$ 81,969
Actual return on plan assets	8,793	12,690	10,329
Employer Contributions	1,982	6,200	6,200
Acquisitions	1,923	0	0
Benefits paid	(4,157)	(4,840)	(5,768)
Fair value of plan assets at end of year	$ 115,321	$ 106,780	$ 92,730
Funded status of the plan:			
Net amount recognized in the balance sheet	$ (13,888)	$ 3,819	$ (12,979)
Amounts recognized in accumulated other comprehensive income:			
Unrecognized prior service cost	$ 3,249	$ 3,644	$ 4,051
Unrecognized net actuarial loss	35,635	17,310	31,279
Total	$ 38,884	$ 20,954	$ 35,330

The projected benefit obligation and the accumulated benefit obligation for the Retirement Plans as of year-end are as follows:

December 31	2014	2013	2012
Projected Benefit Obligation:			
Funded plans	$ 125,850	$ 100,343	$ 103,506
Unfunded SERP	3,359	2,618	2,203
Total	$ 129,209	$ 102,961	$ 105,709
Accumulated Benefit Obligation:			
Funded plans	$ 101,989	$ 81,346	$ 82,362
Unfunded SERP	2,173	1,689	1,519
Total	$ 104,162	$ 83,035	$ 83,881

The $115.3 million in fair value of plan assets shown in a previous table relates only to the qualified retirement plans. As depicted in the preceding table, such plans had a projected benefit obligation and an accumulated benefit obligation of $125.9 million and $102.0 million, respectively, as of December 31, 2014.

The Association holds assets in trust accounts related to its SERP plan. Such assets had a fair value of $1.9 million as of December 31, 2014, which is included in "Other Assets" in the accompanying consolidated balance sheet. Unlike the assets related to the qualified plans, those funds remain Association assets and would be subject to general creditors in a bankruptcy or liquidation. Accordingly, they are not included as part of the assets shown in a previous table. As depicted in the preceding table, the SERP plan has a projected benefit obligation and an accumulated benefit obligation of $3.4 million and $2.2 million, respectively, as of December 31, 2014.

The following table represents the components of net periodic benefit cost and other amounts recognized in other comprehensive income as of December 31 as follows:

December 31	2014	2013	2012
Net periodic benefit cost			
Service cost	$ 2,822	$ 3,135	$ 2,686
Interest cost	4,922	4,166	4,380
Expected return on plan assets	(7,262)	(6,342)	(5,986)
Amortization of unrecognized:			
Prior service cost	396	408	420
Actuarial loss	1,363	2,410	1,632
Net periodic benefit cost	$ 2,241	$ 3,777	$ 3,132
Other Changes in Plan Assets and Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial (gain) loss	$ 19,688	$ (11,558)	$ 6,055
Amortization of:			
Prior service credit	(396)	(408)	(420)
Net actuarial gain	(1,363)	(2,409)	(1,632)
Total recognized in other comprehensive income	$ 17,929	$ (14,375)	$ 4,003

The Association anticipates that its total pension expense for all retirement plans will be approximately $4.1 million in 2015 compared to $2.2 million in 2014. The Association's estimated amortizations to be included in accumulated other comprehensive income to be approximately $3.4 million in 2015 compared to $1.8 million in 2014.

Assumptions

The Association measures plan obligations and annual expense using assumptions designed to reflect future economic conditions. As the bulk of pension benefits will not be paid for many years, the computations of pension expenses and benefits are based on assumptions about discount rates, estimates of annual increases in compensation levels, and expected rates of return on plan assets.

The weighted-average rate assumptions used in the measurement of the Association's benefit obligations are as follows:

December 31	2014	2013	2012
Discount rate	4.10%	4.85%	4.05%
Rate of compensation increase (qualified plans only)	4.75%	4.75%	4.75%

The weighted-average rate assumptions used in the measurement of our net periodic benefit cost are as follows:

December 31	2014	2013	2012
Discount rate	4.85%	4.05%	4.80%
Expected rate of return on plan assets (qualified plans only)	7.25%	7.25%	7.25%
Rate of compensation increase (qualified plans only)	4.75%	4.75%	4.75%

The discount rates are calculated using a spot yield curve method developed by an independent actuary. The approach maps a high-quality bond yield curve to the duration of the plans' liabilities, thus approximating each cash flow of the liability stream to be discounted at an interest rate specifically applicable to its respective period in time.

The expected rate of return on plan assets are established based on a review of past and expected future anticipated returns on plan assets. The expected rate of return on plan assets assumption also matches the pension plans' long-term interest rate assumption used for funding purposes. In October 2014, the Society of Actuaries issued revised mortality tables (RP 2014) and a mortality improvement scale (MP 2014) for use by actuaries, insurance companies, governments, benefit plan sponsors and others in setting assumptions regarding life expectancy in the United States for purposes of estimating pension and other postemployment benefit obligations, costs and required contribution amounts. The new mortality tables indicate substantial life expectancy improvements since the last study published in 2000 (RP 2000). The adoption of these new tables resulted in an increase of $8.2 million to our pension plans' projected benefit obligations.

Plan Assets

The asset allocation target ranges for the qualified defined benefit pension plans follow the investment policy adopted by the Association's retirement trust committee. This policy provides for a certain level of trustee flexibility in selecting target allocation percentages. The actual asset allocations at December 31, 2014, 2013 and 2012 are shown in the following table, along with the adopted range for target allocation percentages by asset class. The actual allocation percentages reflect the quoted market values at year-end and may vary during the course of the year. Plan assets are generally rebalanced to a level within the target range each year at the direction of the trustees.

	Target Allocation Range	Percentage of Plan Assets at December 31, 2014	2013	2012
Asset Category				
Domestic Equity	40 – 50%	48%	48%	43%
Domestic Fixed Income	30 – 50	33	29	37
International Equity	0 – 10	10	10	10
Emerging Markets Equity and Fixed Income	0 – 10	4	5	5
Real Assets	0 – 5	0	3	5
Hedge Funds	0 – 10	5	5	0
Total	100%	100%	100%	100%

The assets of the qualified defined benefit pension plans consist primarily of investments in various domestic equity, international equity and bond funds. These funds do not contain any significant investments in a single entity, industry, country or commodity, thereby mitigating concentration risk.

The following tables presents major categories of plan assets that are measured at fair value at December 31, 2014, 2013 and 2012 for each of the fair value hierarchy levels as defined in Note 2:

As of December 31, 2014	Level 1	Level 2	Level 3	Total
Asset category				
Cash	$ 131	$ 0	$ 0	$ 131
Domestic Equity:				
Large-cap growth fund[1]	26,243	0	0	26,243
Large-cap equity fund[1]	0	24,058	0	24,058
Small-cap growth fund[1]	0	5,216	0	5,216
International Equity:				
International fund[2]	11,185	0	0	11,185
Domestic Fixed Income:				
Total return fund[3]	0	14,097	0	14,097
Bond Fund[4]	24,221	0	0	24,221
Emerging Markets:				
Equity and fixed income fund[5]	0	4,864	0	4,864
Hedge Funds[6]	0	0	5,306	5,306
Total	$ 61,780	$ 48,235	$ 5,306	$ 115,321

[1]Funds invest primarily in diversified portfolios of common stocks of U.S. companies in various industries, including information technology, consumer goods and services, healthcare, financial services and energy.

[2]Fund invests primarily in a diversified portfolio of equities of non-U.S. companies in various industries, including financial services, information technology, healthcare, telecommunications, energy and consumer goods.

[3]Fund invests primarily in a diversified portfolio of investment grade debt securities and cash instruments.

[4]Fund invests primarily in U.S. Treasury debt securities and corporate bonds of U.S. companies primarily in the financial services industry.

[5]Fund invests in equities and corporate debt securities of companies located in emerging international markets. Industries include financial services, energy, and information technology. Fund also invests in the sovereign debt of various countries.

[6]These hedge funds invest in diversified portfolios of stocks, bonds and various other financial instruments in a variety of industries including healthcare, financial services, consumer goods and services, and information technology.

As of December 31, 2013	Level 1	Level 2	Level 3	Total
Asset category				
Cash	$ 469	$ 0	$ 0	$ 469
Domestic Equity:				
Large-cap growth fund[1]	23,401	0	0	23,401
Large-cap equity fund[1]	0	20,289	0	20,289
Small-cap growth fund[1]	0	7,107	0	7,107
International Equity:				
International fund[2]	11,177	0	0	11,177
Domestic Fixed Income:				
Total return fund[3]	31,377	0	0	31,377
Emerging Markets:				
Equity and fixed income fund[4]	0	4,841	0	4,841
Real Assets: Gold fund[5]	3,204	0	0	3,204
Hedge Funds[6]	0	0	4,915	4,915
Total	$ 69,628	$ 32,237	$ 4,915	$ 106,780

As of December 31, 2012	Level 1	Level 2	Total
Asset category			
Cash	$ 284	$ 0	$ 284
Domestic Equity:			
Large-cap growth fund[1]	19,295	0	19,295
Large-cap equity fund[1]	0	15,716	15,716
Small-cap growth fund[1]	0	4,605	4,605
International Equity:			
International fund[2]	9,571	0	9,571
Domestic Fixed Income:			
Total return fund[3]	33,843	0	33,843
Emerging Markets:			
Equity and fixed income fund[4]	0	4,958	4,958
Real Assets:			
Gold fund[5]	4,458	0	4,458
Total	$ 67,451	$ 25,279	$ 92,730

Level 1 plan assets are funds with quoted daily net asset values that are directly observable by market participants. The fair value of these funds is the net asset value at close of business on the reporting date.

Level 2 plan assets are funds with quoted net asset values that are not directly observable by market participants. A significant portion of the underlying investments in these funds have individually observable market prices, which are utilized by the plan's trustee to determine a net asset value at close of business on the reporting date.

Level 3 plan assets are funds with unobservable net asset values and supported by limited or no market activity.

Expected Contributions

In 2015 the Association expects to contribute $2.1 million to its defined benefit retirement plans and $0.4 million to its trust fund related to the SERP. The actual 2015 contributions could differ from the estimates.

Estimated Future Benefit Payments

The Association expects to make the following benefit payments for its retirement plans, which reflect expected future service, as appropriate.

	Estimated Benefit Payouts
2015 Payouts	$ 6,021
2016 Payouts	5,972
2017 Payouts	6,276
2018 Payouts	7,899
2019 Payouts	7,026
2020 Payouts to 2024 Payouts	45,858

Other Postretirement Benefits

Postretirement benefits other than pensions (primarily health care benefits) are also provided to retirees of the Association. The following table sets forth the funding status and weighted average assumptions used to determine post-retirement health care benefit obligations.

December 31	2014	2013	2012
(Accrued) Postretirement benefit cost	$ (411)	$ (114)	$ (110)
Accumulated postretirement benefit obligation	$ (1,572)	$ (1,163)	$ (1,537)
Accumulated other comprehensive loss	$ 1,160	$ 1,049	$ 1,426
Net periodic expense	$ 172	$ 177	$ 136
Discount rate	4.10%	4.85%	4.05%
Ultimate healthcare trend rate	4.50%	5.00%	5.00%

Substantially all postretirement healthcare plans have no plan assets and are funded on a current basis by employer contributions and retiree premium payments.

The Association anticipates its postretirement benefits expense will be approximately $193 in 2015 compared to $172 in 2014.

NOTE 11 – Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with directors and senior officers of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Loan information to related parties is shown below.

December 31	2014	2013	2012
New loans/advances	$ 23,952	$ 27,958	$ 14,795
Repayments	22,820	22,319	15,040
Other	11,790	5,960	(168)
Ending balance	$ 44,124	$ 31,203	$ 19,604

Other changes to the related party loan balance represent changes in the composition of Association directors and/or senior officers during 2014. In the opinion of management, none of these loans outstanding at December 31, 2014 involved more than a normal risk of collectability and none of these loans are in nonaccrual status.

At December 31, 2014, the Association owned a 25 percent interest in Farm Credit Financial Partners, Inc. (FPI). The Association records this investment on the equity method of accounting. FPI currently provides accounting, information technology, and other services to the Association on a fee basis. Fees paid to FPI for the years ended December 31, 2014, 2013 and 2012 were $7,067, $5,542 and $5,236 respectively.

NOTE 12 – Commitments and Contingencies

The Association has various commitments outstanding and contingent liabilities.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest-rate risk. These financial instruments include commitments to extend credit and commercial letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount 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 contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2014, $1,870,583 of commitments to extend credit, $27,000 of commercial letters of credit and $19,714 of standby letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Balance Sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Reserves related to unfunded commitments to extend credit are included in the calculation of the allowance for loan losses.

There are no actions pending against the Association in which claims for monetary damages are asserted.

NOTE 13 – Fair Value Measurements

Accounting 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. The fair value measurement is not an indication of liquidity. See Note 2 for additional information.

Sensitivity to Changes in Significant Unobservable Inputs

Quoted market prices may not be available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis at December 31 for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
2014				
Derivative assets	$ 0	$ 328	$ 0	$ 328
Assets held in trust	$ 6,353	$ 0	$ 0	$ 6,353
2013				
Derivative assets	$ 0	$ 487	$ 0	$ 487
Assets held in trust	$ 4,760	$ 0	$ 0	$ 4,760
2012				
Derivative assets	$ 0	$ 568	$ 0	$ 568
Assets held in trust	$ 3,640	$ 0	$ 0	$ 3,640
Liabilities:				
2014				
Derivative liabilities	$ 0	$ 1,116	$ 0	$ 1,116
2013				
Derivative liabilities	$ 0	$ 1,051	$ 0	$ 1,051
2012				
Derivative liabilities	$ 0	$ 30	$ 0	$ 30

Assets measured at fair value on a non-recurring basis at December 31 for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
2014				
Impaired loans	$ 0	$ 0	$ 59,216	$ 59,216
Other Property Owned	$ 0	$ 0	$ 3,220	$ 3,220
Rural Investments, LLC	$ 0	$ 0	$ 1,252	$ 1,252
2013				
Impaired loans	$ 0	$ 0	$ 60,881	$ 60,881
Other Property Owned	$ 0	$ 0	$ 7,508	$ 7,508
Rural Investments, LLC	$ 0	$ 0	$ 1,432	$ 1,432
2012				
Impaired loans	$ 0	$ 0	$ 70,820	$ 70,820
Other Property Owned	$ 0	$ 0	$ 2,649	$ 2,649
Rural Investments, LLC	$ 0	$ 0	$ 3,442	$ 3,442

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Balance Sheet for each of the fair value hierarchy values are summarized below:

December 31	2014			2013			2012		
	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:									
Loans, net	$5,714,605	$5,725,099	Level 3	$4,898,471	$4,871,406	Level 3	$4,617,714	$4,642,573	Level 3
Cash	$ 17,959	$ 17,959	Level 1	$ 11,683	$ 11,683	Level 1	$ 25,332	$ 25,332	Level 1
Financial liabilities:									
Notes payable to ACB	$4,827,439	$ 4,840,796	Level 3	$4,152,555	$4,148,346	Level 3	$3,956,600	$4,001,559	Level 3

Valuation Techniques

As more fully discussed in Note 2 – Summary of Significant Accounting Policies, accounting 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 represent a brief summary of the valuation techniques used for the Association's assets and liabilities.

Cash

The carrying value of cash is a reasonable estimate of fair value.

Assets Held in Trust

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

Loans

Fair value is estimated by discounting the expected future cash flows using CoBank's and/or the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the District's current loan origination rates as well as management estimates of credit risk. Management has no basis to determine whether the estimated fair values presented would be indicative of the assumptions and adjustments that a purchaser of the Association's loans would seek in an actual sale, which could be less.

Other Property Owned

Other property owned is generally classified as Level 3. The process for measuring the fair value of the other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Impaired Loans

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are 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.

Notes payable to CoBank, ACB

The notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets) which they fund. Fair value of the note payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables plus accrued interest on the notes payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

Rural Investments, LLC

For these investments, the fair value is based upon the underlying loans contained in the investment. 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 is less than the principal balance of the investment a loss is realized.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the Association's derivative positions are valued using internally developed models that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy. Such derivatives include basic interest rate swaps. Derivatives that are valued based upon models with significant unobservable market parameters and that are normally traded less actively or have trade activity that is one way are classified within Level 3 of the valuation hierarchy. The Association does not have any derivatives classified within Level 3.

The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable market inputs, primarily the LIBOR swap curve and volatility assumptions about future interest rate movements.

NOTE 14 – Investments

On August 26, 2005, the Association entered into an agreement with Rural Investments, LLC (a Delaware Limited Liability Company) to service and collect a securitized pool of agricultural loans sold by a commercial lender located in the Association's territory (the investment). The investment is comprised of loans with characteristics similar to loans contained in the Association's loan portfolio. To effect this agreement, the Association purchased a security issued by Rural Investments, LLC which is collateralized by all the assets (loans) and the underlying collateral securing the loans purchased by Rural Investments, LLC. The agreement assigns all the benefits and risk associated with the investment and names the Association as the sole Manager of the LLC. The security purchased on August 26, 2005 totaled $20,702. Subsequent to the initial purchase additional purchases were made and the total investments purchased through December 31, 2005 were $22,646. The Association was given authority to purchase additional securities for a period of one year from the date of initial purchase. Additional purchases totaling $704 were made under the authority during 2006. Rural Investments, LLC invested $490 as a minority member of Genesee Agribusiness LLC (GALLC) on November 7, 2008. GALLC is an agribusiness industrial development park located in town of Batavia, Genesee County, NY. This investment was repaid with interest on June 7, 2012. The fair market value of securities and investment in Rural Investment, LLC at December 31, 2014 is $1,252 and the Association recorded $133 of interest income on the investment in 2014.

The quality of the investment is acceptable based on current valuations performed by management. In addition, the Association makes monthly assessments regarding the performance status of each of the underlying loans contained in the security purchased from Rural Investments, LLC. This quality assessment is made in a similar manner as that made on loans in the Association's core portfolio. Investments performing according to the contractual terms of the underlying notes are carried in accruing status. Investments that are not performing or where there is some question as to the full collectability of the underlying loans are carried as nonaccrual/impaired.

Underlying impaired loans contained in the investment are those where it is probable that not all principal and interest will be collected according to the terms of the underlying loan. Impaired investments include those identified as nonaccrual or 90 days past due. No allowance is provided on the investment. The valuation determines the fair market value of the underlying loan contained in the investment and if it is less than the current carrying value of the underlying loan contained in the investment no additional income is recorded until all payments are received under the terms of the loan.

The following table presents information illustrating the investment amounts and the performance status of the underlying loans contained in the investment that would have been included in the Association's performance categories had the loans been owned by the Association:

As of December 31		2014
Fair value of investments		
Accruing investments	$	969
Nonaccrual/Impaired investments		240
Total investment value	$	1,209
Allowance on underlying impaired loans		
Underlying impaired loans with a related allowance	$	0
Underlying impaired loans with no related allowance		240
Total underlying impaired loans	$	240

NOTE 15 – Derivative Instruments and Hedging Activities

The Association maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The Association's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets or liabilities so that the net interest margin is not adversely affected by movements in interest rates. As a result of interest rate fluctuations, the Association's interest income and interest expense of hedged variable-rate assets, will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by the Association's gains and losses on the derivative instruments that are linked to these hedged assets. The Association considers its strategic use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

The Association enters into interest rate swaps to stabilize net interest income on variable priced loan assets, to the extent they are funded with equity. Under interest rate swap arrangements, the Association agrees with other parties (CoBank) to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index.

The Association's interest-earning assets, to the degree they are funded with debt, are matched with similarly priced and termed liabilities. Volatility in net interest income, comes from equity funded, variable priced assets. To the degree that variable priced assets are funded with equity, interest rate swaps in which the Association pays the floating rate and receives the fixed rate (receive fixed swaps) are used to reduce the impact of market fluctuations on the Association's net interest income.

By using derivative instruments, the Association exposes itself to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Association's credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes the Association, thus creating a repayment risk for the Association. When the fair value of the derivative contract is negative, the Association owes the counterparty and, therefore, assumes no repayment risk. The Association minimizes the credit (or repayment) risk by entering into transactions only with CoBank, its funding bank. The Association's derivative activities are monitored by senior management and the Board of Directors.

Cash flow hedges

The Association uses interest rate swaps to hedge the risk of overall changes in the cash flows of an asset. The asset is defined as a pool of long term variable rate loans equal to the notional amount of the swaps, and not exceeding the Association's equity position. These swaps, which qualify for hedge accounting, have up to a three-year term, with a pay rate indexed to three month LIBOR.

As of December 31, 2014, the Association has executed interest rate swap contracts with CoBank, ACB having a notional amount of $850 million. The fair value of the swap contracts at December 31, 2014 is ($788) of which ($1,597) is reflected in accumulated other comprehensive income due to the highly effective nature of the hedge transaction and $809 of income is recorded in interest expense due to the ineffectiveness of the hedge transactions. The carrying value of the hedged assets was $328 and the carrying value of the hedged liabilities was $1,116. The Association is exposed to credit loss in the event of nonperformance by other parties to the interest rate swap agreement; however, the Association does not anticipate nonperformance by CoBank, ACB.

NOTE 16 – Subsequent Events

The Association has evaluated subsequent events through March 11, 2015 which is the date the financial statements were issued or available to be issued.

Board of Director Disclosures

Board Structure

Farm Credit of Maine merged with and into Farm Credit East effective January 1, 2014. As part of the ***Merger Agreement***, three elected directors from Farm Credit of Maine joined the Farm Credit East Board effective January 1, 2014:

- Donald P. White, with a term expiring in 2014. This elected director seat was discontinued and Mr. White was appointed by the Board to a four-year term as an appointed customer director.
- Daniel J. Corey, with a seat expiring in 2015. This seat will be up for election in 2015 for a four-year term and every four years thereafter as an Eastern Region seat.
- Henry E. McPherson, with a term expiring in 2016. This seat will be up for election in 2016 for a two-year term. When that term expires in 2018, this seat will be discontinued, bringing the ongoing number of elected directors to 13.

Farm Credit East's bylaws specify four-year terms with a limit of four consecutive terms and that there will be one seat from each Region open for election each year. Association Bylaws also specify that director candidates be nominated by Region and be elected by the entire membership. Farm Credit East has three Nominating Regions as shown on the map on the inside back cover of this Annual Report. The Board may appoint up to four directors, two of which must be outside directors, i.e. not having a borrowing relationship with Farm Credit East.

There are four open director seats to be elected for four-year terms in the 2015 election cycle. With the 2015 election cycle, there is a second Eastern Region seat in which the candidates must be from Maine. At the close of the 2015 election cycle, the Farm Credit East Board will consist of 17 directors: 14 elected directors, one appointed customer director and two appointed outside directors.

The Board is independent of management. The CEO reports to the Board and no management or employees may serve as directors within one year of employment. The Board generally has seven regularly scheduled meetings each year and has established a number of committees to provide concentrated focus and expertise in particular areas and to enhance the overall efficiency of scheduled Board meetings. Each committee created by the Board prepares a charter outlining the committee's purpose, its duties, responsibilities and authorities. All Committees report on their meetings at the regular meeting of the full Board.

Minutes of each Committee meeting are documented and approved at the following meeting. The full text of each committee charter is available on our website under "Board Committees" at www.Farmcrediteast.com.

Association bylaws also established an Executive Committee. The Board has established the following standing committees: a Compensation Committee, Audit Committee, Governance Committee, and an AgInitiative Committee. The primary responsibilities of each Board Committee are described as follows:

Executive Committee

The Executive Committee members consist of the board chairman, vice chairman and two other directors designated by the Board, each representing a nominating region other than those represented by the chairman or vice chairman. If the chairman and vice chairman are from different regions then one of the other directors will be at-large.

The committee is primarily responsible for providing input and direction to management on the development and implementation of the Association's strategic plan, policies and other significant matters requiring attention between board meetings. The committee also acts as the liaison with the Association's regulator, the FCA.

Compensation Committee

The Compensation Committee consists of the Executive Committee along with another appointed director. The function of this committee is to review the Association's overall compensation and benefits packages, including the performance and compensation for the Chief Executive Officer, and the funding of these programs.

Audit Committee

The audit committee members are appointed by the Board chairman in consultation with the board officers. All members of the Audit Committee are independent of management of Farm Credit East and any other System entity. All committee members are expected to have practical knowledge of finance and accounting, be able to read and have a working understanding of financial statements, or develop that understanding within a reasonable period of time after being appointed to the Committee. Ann P. Hudson was appointed to the Board of Directors in May 2006. Her current term expires in 2016. The Board has determined that Ms. Hudson has the qualifications and experience necessary to serve as the Audit Committee "financial expert," as defined by FCA regulations, and has been designated as such.

The Audit Committee has unrestricted access to representatives of the internal audit and risk management departments, financial management and our independent auditors. The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities related to accounting policies, internal controls, financial reporting practices and regulatory requirements.

The Audit Committee pre-approves all audit and audit-related services and permitted nonaudit services (including the fees and terms thereof) to be performed for the Association by its independent auditors, as negotiated by management. Aggregate fees incurred by the Association for services rendered by its independent auditors, PricewaterhouseCoopers, LLP for the years ended December 31, 2014 and 2013 follow:

For the year ended December 31	2014	2013
Audit Fees	$ 114,500	$ 109,000
Audit Related Fees	0	45,800
Tax Fees	32,800	33,100
Total	$ 147,300	$ 187,900

The 2013 audit related fees include services rendered in connection with the Farm Credit of Maine merger.

Governance Committee

The Governance Committee members are appointed by the board chairman in consultation with the board officers. The committee is primarily responsible for the training and education of Board members, the outside director election process, director compensation, ethics, and conflict of interest matters.

AgInitiative Committee

The AgInitiative Committee members are appointed by the board chairman in consultation with the board officers. The committee is primarily responsible for directing the Association's lending and financial services program for Young, Beginning, Small and Veteran farmers and ranchers to support the development of agriculture with financial incentives and educational opportunities; represent Farm Credit East on the governing council of FarmStart, LLP and oversee the Association's scholarship program.

Other Committees

Nominating Committee

The Nominating Committee is comprised of one member and an alternative member from each branch office, who are elected each year by the membership at the annual stockholder meeting. This committee, which consists of customers who are not seated on the Board of Directors, proactively identifies qualified candidates for Board membership and reviews director nominations, helping to ensure that the Association continues to attract a highly qualified and diverse Board. The Nominating Committee makes a best effort to recommend at least two candidates for each open Board position. Stockholders and interested candidates may gather signatures for petitions to run for the Board following the conclusion of the Nominating Committee's work.

Farm Credit East Directors

Information regarding directors who served as of December 31, 2014, 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:

Andrew J. Gilbert, Potsdam, NY, became ***Chairman of the Farm Credit East Board*** in 2012 and has served as a director since 2005. His current term expires in 2018. He is a member of the Board's Executive and Compensation Committee. He also served as director of Farm Credit Council, a national trade association. Andy and his brother Tony own and operate Adon Farms, a 1,200-cow dairy. They grow corn for grain, grow all their forages, and haul their own milk. They also own and operate Parishville Sand and Gravel with their cousin Donald Snyder, also a Farm Credit member.

Matthew W. Beaton, East Sandwich, MA, became ***Vice Chairman of the Farm Credit East Board*** in 2012 and has served as director since 2006. His current term expires in 2016. He is Vice Chair of the Board's Executive and Compensation Committees. Matt is president and owner of Sure-Cran Services, Inc., a custom management company managing over 550 acres of cranberry bogs in southeastern Massachusetts. Matt is also president and owner of Beaton's, Inc., which owns and manages 170 acres of cranberry bogs. Matt is Chairman of the Cape Cod Growers Association's Research Committee.

Michael N. Brooks, Elmer, NJ, was elected director in 2014 to a term expiring in 2018. He is a member of the AgInitiative Committee. Mike owns Dusty Lane Farms, LLC, in partnership with his parents William and Diane Brooks. Dusty Lane Farms is a diverse 1,500-acre irrigated operation producing white potatoes, peppers, tomatoes, spinach, sweet corn, corn and soybeans. The farm also includes 27,000 square feet of heated greenhouse space for vegetable transplants. Mike is a member of United States Potato Board. He also serves on the executive committee of the Salem County Board of Agriculture and is the vice president of the New Jersey White Potato Association. He chairs the Woodstown-Pilesgrove Agricultural Education Advisory Committee and is a life-long supporter of the FFA Organization.

Robert R. Brown II, Waterport, NY, was elected to the Farm Credit of Western New York Board in 2002. His current term expires in 2015. He is a member of the Board's Ag Initiative Committee. Bob along with his brother Eric and son Bobby, operate Orchard Dale Fruit Farms, Inc., growing 300 acres of fruits and berries. Bob and his wife Deborah also operate Brown's Berry Patch with pick-your-own berries, apples, cherries and pumpkins, along with a variety of other retail offerings. Bob is a partner of Lake Ontario Fruit Company that stores, packs and ships fresh apples from western New York growers.

Daniel J. Corey, Monticello, ME, has served as director since 1999, having served on the Farm Credit of Maine Board of Directors prior to its merger with Farm Credit East and his current term expires in 2015. He is a member of the Farm Credit East's Executive Committee and the Ag-Initiative Committee. Daniel J. Corey, President/CEO of Daniel J. Corey Farms, Seed Pro Inc., Nu-Seed Corp., Corey Equipment Inc., and Corey Timberlands Ltd., producing over 1000 acres of early generation seed potatoes, 1400 acres of oats, 500 acres of wheat, 300 acres of hay and 100,000 Christmas trees. Seed Pro Inc. also operates an in-vitro lab facility and 3 greenhouses. Nu-Seed Corp. exports potatoes internationally and operates a 250,000bu grain elevator with rail access. Corey Equipment in Monticello, ME is a construction and wood processing company. Corey Timberlands Ltd. is a timberland holding company located in New Brunswick, Canada. He is a member of the New Brunswick Institute of Agrologists, and is Chair of the Executive Seed Council of the Maine Potato Board.

Christine E. Fesko, Skaneateles, NY, has served as a director since 2003 with her current term expiring in 2016. She is a member of the Board's Governance Committee. Chris, along with her daughter Kim and son in law Eric Brayman operate Fesko Farms, Inc., a 600-cow dairy. Chris Fesko Enterprises produces educational videos for schools and the general public nationwide. Chris owns the Farm Discovery Center, an educational facility for urban children to experience math, science and language arts in a barn setting as a school field trip. Chris is a lay speaker in her church, serves on her town board, and has been a hospice volunteer for 35 years.

Laurie K. Griffen, Schuylerville, NY, has served as director since 2011 with her current term expiring in 2015. She is Chair of the Governance Committee and has served on the AgInitiative Committee. Laurie is co-owner/operator of Saratoga Sod Farm, Inc., a 600-acre turf grass farm in Stillwater, New York with her husband Steve. In addition to producing and selling its high quality turf products, Saratoga Sod also provides installation services, sales of seed and fertilizer and the Big Yellow Bag garden soil product to assist its customers across the Northeast. Saratoga Sod also grows roughly 500 acres of soybeans and corn as part of the crop rotation. Laurie serves on the Town of Saratoga Planning Board, Schuyler Park Committee (Co-chair) and the NY Farm Bureau Labor Committee.

Ann P. Hudson, Suffield, CT, has served as an outside director since 2006 with her current term expiring in 2016. She is a member of the Board's Audit Committee. Ann has had a career in public accounting starting with Price Waterhouse and progressing as partner with tax expertise through two other accounting firms. Currently a part-time farmer, she is a member of the Board of Directors and vice chairwoman of the Audit Committee at The New England College of Optometry.

Henry L. Huntington, Loudon, NH, has served as director since 2011 with his current term expiring in 2015. He is Chair of the Audit Committee. Henry is CEO of Pleasant View Gardens, Inc. of Loudon, NH. Pleasant View Gardens is a 14-acre wholesale greenhouse operation specializing in young plant propagation and finished annuals and perennials. The company was founded by parents Jonathan and Eleanor and is currently owned by Henry and his brother Jeffrey. They are also partners in Proven Winners, LLC, a plant brand marketing company; Plant 21, LLC, a plant breeding company; and Ticoplant of Costa Rica, an offshore unrooted cutting production company. He is a director of Phenix Mutual Insurance Company based in Concord, NH; co-chair of the New Hampshire Ornamental Horticulture Endowment; member of the Leadership Advisory Board for the Thompson School and on the Development Board for the College of Life Sciences and Agriculture, University of New Hampshire; past president of Bedding Plants International; and a 15-year member of the Planning Board for the Town of Loudon.

Richard P. Janiga, East Aurora, NY, has served as director since 2000 with his current term expiring in 2018. He had previously served as Vice Chairman of the Board in 2011. He is a member of the Board's Audit, Compensation and Executive Committees. He was previously Vice Chairman of the Board of Farm Credit of Western New York. Rick owns and operates R + D Janiga Enterprises, LLC a 300-cow dairy, cash crop and custom harvest operation. He serves on the Farm Credit Council Board of Directors as well as the Town of Marilla Planning Board and the Upstate Niagara Milk Cooperative Board of Delegates.

Peggy Jo Jones, Boise, ID, has served as an outside director since 2008 with her current term expiring in 2015. She serves on the Board's Compensation and Ag Initiative Committees. She is currently the Corporate Vice President, Human Resources for Albertson's LLC, a major food retailer with over 1,000 retail stores across the country. In addition to extensive management experience in the food retailing industry, Peggy's professional profile also includes having previously been a director and chair of the board of directors for Northwest Farm Credit Services, ACA.

Philip J. Jones, Shelton, CT, "Jamie" was elected director in 2014 to a term expiring in 2017. He is a member of the Governance Committee. Jamie is owner and manager of Jones Family Farms Winery, LLC, in Shelton, CT which he founded in 2004. He is in business with his parents Terry and Jean Jones as well as his wife Christiana. Jamie oversees the agricultural production of berries, vegetables, pumpkins, and Christmas trees of the Jones Family Farms, LLC. He serves as a director of the Fairfield County Farm Bureau, the Connecticut Vineyard and Winery Association, and the Governors Council for Agricultural Development.

John P. Knopf, Canandaigua, NY, has served as director since 2013 with his current term expiring in 2017. He is a member of the Ag Initiative Committee. John is principal owner of Fa-Ba Farms, LLC in Canandaigua, NY, a dairy business consisting of 500 milking cows, 440 replacements and 850 acres of land devoted to forage production. He is a member of the Town of Canandaigua Board of Assessment Review and has prior service with the Soil and Water Conservation District Northern Watershed and Ontario County Farm Bureau.

Henry E. McPherson, Hermon, ME, "Hank" has served as director since 1998, having served on the Farm Credit of Maine Board of Directors prior to its merger with Farm Credit East and his current term expires in 2016. He is currently a member of the Governance Committee. Prior to Merger Hank was Chairman of the Farm Credit of Maine Board and led the successful negotiation which resulted with the Merger into Farm Credit East. Hank is owner of McPherson Timberlands, Inc., of Hermon, Maine, which conducts forestry operations supervised by professional foresters. The company markets harvested forest products with the ultimate goal of complete utilization of all products at highest value, and also pursues timberland acquisitions for both itself and its clients.

Lisa P. Sellew, Lebanon, CT, has served as director since 2013 with her current term expiring in 2017. She is a member of the Audit Committee. The Sellew family owns Pride Corner Farms in Lebanon, CT. Prides Corner is a wholesale nursery that grows more than 2,200 varieties of nursery stock, perennials, roses, trees, herbs and vegetables and supplies plants to independent garden centers, landscapers, and landscape distributors throughout the Northeast and Mid-Atlantic. In addition, Prides Corner also grows and supplies a prevegetated green roof product called LiveRoof® primarily for use on commercial rooftops. She previously worked in commercial lending and real estate lending.

Douglas W. Shelmidine, Adams, NY, has served as director since 2012 with his current term expiring in 2016. He is Chair of the Board's Ag Initiative Committee. Doug owns Sheland Farms, LLC, which is a multi-generational family business run in partnership with his brother Todd, father Donald and son Devon. The family farms 1,500 acres and milks 800 cows. Doug served his five two-year terms on the USDA-NRCS Agricultural Air Quality Task Force and also chairs the Jefferson County Agriculture and Farmland Protection Board.

Donald P. White, Bangor, ME, has served as director since 2005, having formerly served on the Farm Credit of Maine Board of Directors. In keeping with the merger agreement, Don was re-appointed to the Farm Credit East Board in 2014 as an Appointed Customer Director representing the forest products industry with a term expiring in 2018. He is a member of the Audit Committee. He is shareholder and past President of Prentiss and Carlisle of Bangor, Maine a full-service forest products company providing services in timberland and woodlot management, consulting and contract logging. He is past president of the Maine Forest Products Council, Board Member of North Maine Woods, and Treasurer of Maine Forest Legacy PAC.

Director Compensation

For 2014, directors were compensated at a per diem rate of $700 for each day or any part thereof served, $700 for each day traveled before and after the meeting, $700 for board meeting preparation time, $700, approved in advance, for special assignments and a per diem rate of $700 for each day or any part thereof served on a Board committee not held in conjunction with a Board meeting. Directors also received an annual retainer of $12,000 ($18,000 and $13,800 respectively for Board Chairman and Vice Chairman) plus reimbursement of related travel expenses. Directors may elect to defer payment of all or part of their director compensation through a nonqualified deferred compensation plan. In 2014 the Board approved additional compensation in excess of the board policy maximum of $56,408 to the Board chairman in recognition of greater than normal involvement in connection with special assignments. Total compensation paid to the directors as a group during 2014 was $637,640. Additional information for each director who served during 2014 is provided below.

The following table presents the number of days served at Board meetings and other official Farm Credit East activities, and compensation paid to each director for the year ended December 31, 2014.

	Days Served		Compensation	
Name of Director	Board Meetings	Other Official Activities	Committee Meetings	Total
Matthew W. Beaton	13	11	$ 0	$ 43,900
Michael N Brooks[1]	10	0	0	26,700
Robert R. Brown II	11	6	0	34,400
Samuel G. Conard[2]	3	6	0	9,800
Daniel J. Corey	12	4	0	33,000
Christine E. Fesko	13	4	0	35,100
Benjamin J. Freund[2]	3	4	700	9,800
Andrew J. Gilbert	13	40	700	59,400
Laurie K. Griffen	13	8	0	37,200
June W. Hoeflich[2]	3	5	0	9,100
Ann P. Hudson	13	3	700	33,700
Henry L. Huntington	12	2	0	31,600
Richard P. Janiga *	13	21	700	40,140
Peggy Jo Jones	13	0	0	33,000
Philip J. Jones[1]	10	1	0	24,600
John Knopf	13	7	0	38,600
Henry E. McPherson	13	4	0	33,000
Lisa Sellew	13	11	700	40,000
Douglas Shelmidine	13	9	0	40,000
Donald P. White[3]	5	5	700	24,600
Total			$ 4,200	$ 637,640

[1] Term began during year
[2] Term ended during year
[3] With Board approval, attendance at fewer than 75 percent of the 2014 meetings
* This director represented Farm Credit East's interest by serving on boards of other organizations important to the Association. Days of service related to these activities and any compensation received (if any) are not included in this report.

Current Farm Credit East policy regarding reimbursements for travel, subsistence, and other related expenses provides for reimbursement of actual reasonable out of pocket expenses incurred while traveling on official Association business. Directors who use their own automobiles for Association business purposes will be reimbursed at a rate that has been established in accordance with IRS guidelines. The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was $245,049, $263,404 and $256,715 for 2014, 2013, and 2012, respectively. A copy of the Association travel policy is available to stockholders upon request.

Transactions with Directors

At December 31, 2014, the Association had loans outstanding with directors individually and to the business organizations of directors. All of the loans were in the ordinary course of business and remain on the same terms, including interest rates, amortization schedules, and collateral as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk collectability. Information regarding related party transactions is incorporated herein by reference from Note 11 of the consolidated financial statements included in this annual report to stockholders.

Senior Officer Disclosures

Listed below are the CEO and senior officers of Farm Credit East, ACA. Information is provided on their experience, as well as on any business for which they serve on the board of directors or act as a senior officer and the primary business that the organization is engaged in.

William J. Lipinski serves as Chief Executive Officer a position held since Farm Credit East was formed on January 1, 2010. He was previously President and CEO of First Pioneer Farm Credit. He reports to and works closely with the Board of Directors. He sets strategic direction with the Board and directs human resources, credit and services delivery, finance and customer service. Bill is a graduate of Cornell University with a degree in Agricultural Economics. Bill began his Farm Credit career in 1979 and was promoted through a number of positions before becoming CEO. Bill is a current director and past Chairman of the Board of Farm Credit Financial Partners, a service company owned by Farm Credit East and other ACAs. He is a member of the Farm Credit System Presidents Planning Committee, a national leadership group. Bill was a former member of the Board of Directors of Pro-Fac Cooperative, Inc. He also served as director of the Farm Credit Leasing Corporation for a number of years.

Charles S. Herring serves as President and Chief Operating Officer. Scott chaired Farm Credit East's Credit Committee, which acts on large and complex credit decisions. He is responsible for balancing sound extension of credit and services with high quality customer service. All branch credit and financial services operations as well as finance and internal control report through Scott. Scott is a graduate of Alfred University with a degree in Business Administration. He joined Farm Credit in 1976 and was promoted through several positions including CEO of the Farm Credit of Western New York prior to its merger into Farm Credit East. He serves on the Risk Management Work Group a subcommittee of the Presidents Planning Committee and also the CoBank, ACB Retirement Trust Committee. He also sits on the Farm Credit East Human Resources Committee.

James N. Putnam, II serves as Executive Vice President and Chief Business Officer. Effective January 1, 2015, Jim is responsible for supervising all branch credit operations, including chairing the Association's credit committee which acts on large and complex credit decisions. He is practice manager for business consulting services and program leader for farm records, farm software, tax services and new product development. Jim started with Farm Credit in 1975 after earning a BS (University of Massachusetts) and an MS (Iowa State University), both in Agricultural Economics. He serves as a Cooperator of Eastern States Exposition of West Springfield, MA.

William S. Bathel serves as Executive Vice President and Chief Risk Officer. Bill is responsible for measuring and monitoring risk in Farm Credit East's loan portfolio. He provides reports to the Board and management to help assure the ACA's financial safety. Bill administers the ACA's credit review, appraisal review and internal audit. He leads the Association's internal technology committee and coordinates technology efforts with Financial Partners Inc. (FPI). Bill also co-directs the ACA's business planning process and coordinates matters with our federal examiner, the Farm Credit Administration. He also serves on the Risk Management Work Group, a subcommittee of the President's Planning Committee. Bill joined the Farm Credit System in 1987 and advanced through several positions. Bill is a graduate of the University of Nebraska with a degree in Accounting. He serves on the Farm Credit East Credit Committee and works closely with the Board's Audit Committee.

Gary R. Bradley serves as Executive Vice President and Regional Manager. He provides senior management oversight and coaching to the Burrville, Cortland, Greenwich, Potsdam and Sangerfield offices in credit, financial services, consulting and customer service. Gary joined Farm Credit in 1977 and progressed through several positions. He serves on the Credit and Human Resources Committees. He also works closely with the Board's Ag Initiatives Committee, is a member of the Farm Credit Fellows Committee at Cornell University, and serves as a director holding the position of treasurer of the American Agriculturalist Foundation. Gary holds a Cornell University degree in Business Management and Marketing.

John P. Caltabiano serves as Executive Vice President and Regional Manager. He provides senior management oversight and coaching for the Bedford, Dayville, Enfield, Middleboro and Riverhead offices in credit, financial services, consulting and customer service. John joined Farm Credit in 1983 and progressed through a variety of positions, including Southern New England Farm Credit, the Farm Credit Banks in Springfield, MA and CoBANK in Denver, Colorado. He is a member of Farm Credit East's Credit and Human Resources Committees, Technology and Cyber Security Teams and he serves on the CoBank, ACB Retirement Trust Committee. He is also a graduate of LEAD New York, the Empire State Food and Agricultural Leadership Institute, having served as President of its Board and is a past Director of the Northeast Agricultural Education Foundation. John holds a BS in Agricultural Economics & Plant Science from Cornell University and an MBA from Duke University.

Andrew N. Grant serves as Executive Vice President and Chief Financial Officer. He leads the financial, treasury, and asset-liability management operations of the Association. Prior to assuming his current position, he was Chief Financial Officer of Farm Credit of Maine prior to its merger into Farm Credit East and has held several positions since joining Farm Credit in 1995. He is a member of Farm Credit East's Cyber Security Team. He is a graduate of Husson University and holds both a BS degree in Management Accounting and a MS degree in Business.

Brian K. Monckton serves as Executive Vice President and Regional Manager. He provides senior management oversight and coaching to the Batavia, Geneva, Hornell, and Mayville offices in credit, financial services, consulting and customer service. Brian joined Farm Credit in 1981 and progressed through several positions including Farm Credit of Bridgeton, Farm Credit of Olean, and Farm Credit of Western New York. He is a member of Farm Credit East's Credit and Human Resources Committees. He is a graduate of Cornell with a BS in Agricultural Economics and a graduate of LEAD New York and currently serves on the Board.

Frederick H. Morton serves as Executive Vice President and Regional Manager. He provides senior management oversight and coaching to the Auburn and Presque Isle offices in credit, financial services, consulting and customer service. Fred joined Farm Credit of Maine in 1979 and progressed through several positions with Farm Credit of Southern Maine and Farm Credit of Maine. He is a member of Farm Credit East's Credit and Human Resources Committee. He is a graduate of the University of Maine with a BS in Agricultural and Resource Economics. He also actively participates in a number of industry organizations that support Maine's natural resource based business.

Roger E. Murray serves as Executive Vice President and provides senior management oversight and coaching to Commercial Lending, Country Living and Crop Growers, LLP business units. He has been part of the senior management team since 1995. Roger provides program leadership for risk management services, including crop and credit life insurance and provides program leadership for leasing. He serves on the Farm Credit East's Credit, Allowance for Loan Losses, and Human Resources Committees. Roger holds a Cornell University degree in Agricultural Economics and is a current member of the Cornell Agri-Business Advisory Council. He joined Farm Credit in 1981 and has held several positions with predecessor organizations as well as the Springfield Bank for Cooperative and COBANK in Springfield, MA.

Michael J. Reynolds serves as Executive Vice President and Regional Manager, a position held since January 1, 2013. He provides senior management oversight and coaching to the Bridgeton, Claverack, Cobleskill, Flemington and Middletown offices in credit, financial services, consulting and customer service. Michael is a Farm Credit veteran having joined in 1990 and been promoted through a variety of positions. He is a member of Farm Credit East's Credit, Human Resources and Financial Services Committees. He has also active in the New Jersey farm community having served on the Executive Committee of the NJ Agricultural Society and chaired the NJ Agricultural Leadership Development Program. Michael serves on the Board of the FCE Cares Fund.

Richard D. Robertson serves as Executive Vice President and is directly involved with the internal credit and collateral review programs. Dick has been employed by Farm Credit for over 40 years progressing through several lending and customer service functions. He is a graduate of the University of Maine with a BS in Agricultural and Resource Economics. Dick also actively participates in a number of industry organizations that support Maine's natural resource based business.

Robert A. Smith serves as Executive Vice President and Corporate Secretary. Bob joined Farm Credit East in January 2007. He has responsibility for business planning, public policy, marketing and communications and Farm Credit East's ***Knowledge Exchange*** program. He also serves as staff resource for the Governance Committee. Prior to joining Farm Credit East, he served as Vice President for Governmental Relations for CoBANK and was responsible for CoBANK'S Washington, DC office. Prior to CoBANK, Bob worked as a Deputy Commissioner in the NYS Department of Agriculture and Markets, and Assistant Secretary to the Governor of New York. Before joining the Department of Agriculture and Markets, Bob served as Director of Governmental Relations and Communications for New York Farm Bureau. He is a graduate of Cornell University and LEAD NY and currently serves on the New York State Fair Advisory Board and the American Farmland Trust NY Advisory Council.

Paul S. Bajgier serves as Senior Vice President and Treasurer. He is responsible for the Association's general ledger and loan accounting systems, operational procedures, tax filings and external reporting. He is a member of Farm Credit East's Cyber Security Team. Paul also works closely with the Board Audit Committee to manage Farm Credit East's relationship with PricewaterhouseCoopers, the Association's independent auditor. Paul is a CPA and worked for Price Waterhouse for five years before joining Farm Credit in 1992. Paul is a graduate of Western New England College with a degree in Accounting. He is a member of the Farm Credit System Accounting Standards Work Group.

Briana S. Beebe serves as Senior Vice President and Human Resources Director. She leads all of Farm Credit East's human resource programs including benefits, recruiting, employee engagement, training, compensation and many other special projects. She joined Farm Credit in 2002 and served as loan officer in the Middleboro branch for seven years and then transitioned to her current role in Human Resources. Briana is Chairman of Farm Credit East's Human Resources Committee and serves on the CoBANK Welfare Benefits Committee and the Cornell Advisory Committee for NYS CALS Internship Program. She is a graduate of Cornell with a degree in Animal Science/Ag Business. She is also a graduate of LEAD New York and Farm Credit's Leadership Development Program.

James D. Miller serves as Senior Vice President of Finance. He is responsible for the patronage dividend program, loan pricing, asset liability management including funding relationship with CoBANK, budgeting, internal management information, capital projects and technology implementation. Since joining Farm Credit in 1981, Jim has had diverse experience in credit, appraisal, risk management and finance. He is a graduate of Cornell University with a BS in Agricultural Economics and an MBA in Finance and Accounting. He serves on the CoBank, ACB Retirement Trust Committee and is a Director of the Connecticut Farmland Trust.

Stephen J. Naughton serves as Senior Vice President, General Counsel. He joined Farm Credit East in August 2014 and manages all the Association's legal matters and provides support on complex and innovative loan issues. Steve is a graduate of Cornell University and received his Juris Doctor from The America University, Washington College of Law in 2003. He has prior experience of corporate, in-house counsel with firms in Washington D.C. and New York City, having focused his legal career in the financial services industry, largely advising asset managers and investment bankers.

Raymond J. Nowak serves as a Consultant. Formerly the President and Chief Executive Officer of Farm Credit of Maine, Ray helped guide the successful merger of that institution into Farm Credit East. Ray continues to assist Farm Credit as a trustee on the CoBank Retirement Trustee Committee, which oversees the defined benefit and defined contribution retirement plans for the Association. He also continues to advise and consult on various strategic outreach activities, specifically in the educational and economic development arenas that impact New England's natural resource industries.

Senior Officers Compensation Discussion and Analysis

Overview
This section describes the compensation programs for Farm Credit East's Chief Executive Officer (CEO) and other senior officers, as defined by FCA regulations (collectively, senior officers), as well as those programs for any highly compensated employees as defined by FCA regulations. This section also presents the compensation earned by the CEO, as well as aggregate compensation earned by our other senior officers and any highly compensated employees, for the years ended December 31, 2014, 2013 and 2012.

The Board of Directors, through its Compensation Committee, has reviewed and discussed the Senior Officers Compensation Discussion and Analysis with management. Based on this review and discussion the Compensation Committee recommended that the Board of Directors include the Senior Officers Compensation Discussion and Analysis in the Annual Report for the year ended December 31, 2014.

Compensation Philosophy and Objectives
Farm Credit East's (the Association) compensation strategy is to attract and retain highly talented employees to fulfill our mission as the premier credit and financial services provider in the Northeast. The compensation philosophy seeks to achieve the appropriate balance among market-based salaries, benefits and variable incentive compensation designed to incent and reward both the current and long term achievement of our business objectives and business financial plans. We believe this philosophy fosters a performance-oriented, results-based culture wherein compensation varies on the basis of results achieved.

Components of Compensation Program
Given the cooperative ownership structure of Farm Credit East, no equity or stock based plans are used to compensate any employee, including senior officers. Senior officers' compensation consists of four components – salary, short-term incentive plan, long-term incentive plan and retirement benefits – as described below. All employees participate in salary, the short term incentive plan and retirement benefits, while senior officers and specified other key employees are also eligible to participate in the long-term incentive plan. In addition the CEO is eligible for supplemental retirement benefits (SERP).

Salary
Salaries are market based, as determined in consultation with an independent executive compensation consultant. The determination of market salaries consists of a comparison of salary levels to positions of similar scope at select peer group financial institutions, coupled with an evaluation of individual performance, competencies and responsibilities. Salaries represent a foundational component of the Association's total compensation program as the amounts of other components of compensation are determined in relation to base salary.

Short-Term Incentives
Short-term incentive payments are based on a combination of annual Association and individual performance. The plan focuses on achieving near-term, annual results. Under the terms of the plan, the key performance result areas are loan growth, financially related services income growth and operating efficiency. Substantially all employees in the Association are eligible to participate in this plan at various levels. Criteria used to determine amounts payable were established by the Board of Directors and include the achievement of certain Association financial targets and strategic business objectives. Payments are typically made in February following the end of the year to which the award is applicable.

Long-Term Incentives
The Association has a long-term incentive plan and long term retention plan that provides senior officers and other specified key employees the opportunity for financial rewards tied to Farm Credit East's sustained success. Eligibility for participation is limited to those individuals who clearly have the ability to drive the success of strategies critical to long term value creation for stockholders. The plan payouts are based on Association performance in the achievement of key financial metrics over a three-year performance period. Under the terms of the plan, the key financial metrics are return on assets, operating efficiency and focus on various human resource initiatives. The cash awards are to be paid subsequent to completion of the performance period cycle, subject to approval by the Board of Directors. Participants forfeit those amounts if they resign prior to being paid.

Retirement Benefits
The Association has employer-funded qualified defined benefit pension plans which are noncontributory and cover employees hired prior to January 1, 2007 (except the former Maine employees who all are participants in the noncontributory defined contribution plan). Benefits are determined by a formula based on years of service and eligible compensation. The Association also has a noncontributory, unfunded, nonqualified supplemental executive retirement plan (SERP) covering the CEO only. All employees are also eligible to participate in a 401(k) retirement savings plan, which includes a matching contribution by the Association. Employees hired on or after January 1, 2007 receive additional, non-elective

employer contributions to the 401(k) retirement savings plan. All retirement-eligible employees hired before January 1, 2013, including senior officers, are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other health care benefits.

The Association also has a nonqualified deferred compensation plan that allows senior officers and other specified key employees to defer all or a portion of their long-term incentive compensation. In addition, certain senior officers are able to participate in a nonqualified supplemental savings plan enabling them to receive the full benefit, irrespective of IRS limitations, of the Association's noncontributory defined contribution plan. The compensation that is deferred is invested in any number of investment alternatives selected by the participants. These alternatives are either identical or substantially similar to those available to all participants in the Association's 401(k) plan. The participant is subject to all risks and returns of amounts invested. The election to defer is irrevocable and the deferred amounts cannot be paid except in accordance with specified elections as permitted by law. At that time, the participant will receive payment of the amounts credited to his or her account under the plan in a manner that has been specified by the participant. If a participant dies before the entire amount has been distributed, the undistributed portion will be paid to the participant's beneficiary.

CEO Compensation

The CEO's compensation is benchmarked to a select peer group of financial institutions. The Board hires an independent executive compensation consultant to help benchmark total compensation. This evaluation helps ensure that such compensation is competitive with positions of similar scope at similar financial institutions. The Board's Executive Compensation Committee reviews the performance of the CEO semi-annually and reviews it with the Board. The Board of Directors annually approves the CEO compensation level.

In addition to the base salary, the CEO can earn both a short-term incentive and a long-term incentive each year based on pre-established performance goals. The short-term incentive potential for 2014 ranged from 0 percent to 65 percent of base salary. The 2014 long-term award was 50 percent of base salary. The short-term and long-term incentives shown in the Summary Compensation Table below reflect the amounts earned and paid during the year. The CEO's compensation in excess of the Internal Revenue Code is made up for via participation in a nonqualified deferred compensation plan. Contributions are made at the same percentages as available under the 401K plan. The nonqualified deferred compensation plan payment is shown in the Summary Compensation Table below.

As of December 31, 2014, the CEO is employed pursuant to a four year employment contract which runs through December 31, 2016. The employment agreement provides specified compensation and related benefits in the event employment is terminated, except for termination with cause. The significant provisions of the agreement are that the CEO would be entitled to severance benefits of two years base salary plus any incentives earned in the year of termination. The employment agreement may be extended by mutual agreement of the parties.

Senior Officer Compensation

The CEO is responsible for setting the compensation levels of the senior officers, who, in turn are responsible for the compensation of all other employees.

The Association's short-term incentive compensation plan features annual payments based on calendar year performance periods. The annual short-term incentive targets are set for all employees at the beginning of the year. For the 2014 performance period, the short-term incentive plan levels for senior officers ranged from 5 percent to 17 percent of base salary. Individual performance is also considered in the determination of the amount payable. The short-term incentives shown in the Summary Compensation Table below are paid in February following the end of the year to which the award is applicable. In addition, certain senior officers were awarded bonuses totaling $75,775 in 2014. These additional payments were for performance related to special projects.

The Association's long-term retention plan provides senior officers and other specified key employees the opportunity for financial rewards tied to Farm Credit East's sustained success over a three-year performance period. The three-year performance metrics are established at the beginning of each three-year period by the Board of Directors in connection with the annual business and financial plan. For the 2014 performance period, the retention plan incentive reward was up to 21 percent of base salary. The retention incentives shown in the chart below are not funded or held in trust but contractually obligates the Association to make future payments in specified amounts. The cash awards are to be paid subsequent to completion of the three-year performance period cycle. During 2014, the 2011 through 2013 performance period cash awards were paid to senior officers totaling $322,005. Participants in the long-term retention plan can elect to defer incentive plan payments if the election is made before the start of the plan year.

Summary Compensation Table

Compensation earned by the CEO and aggregate compensation of the senior officers for the years ended December 31, 2014, 2013 and 2012, respectively is disclosed in the accompanying table. Disclosure of the total compensation during the last fiscal year to any senior officer included in the aggregate is available to stockholders upon request in writing. Current Board policy regarding reimbursements for travel, subsistence, and other related expenses provides that all employees, including senior officers, shall be reimbursed for actual reasonable travel and related expenses incurred while traveling on official Association business. Employees who use their own automobiles for Association business purposes will be reimbursed at a rate that has been established in accordance with IRS guidelines. The Association provides automobiles to exempt employees with credit or Association-wide management responsibilities. Association employees are allowed to use assigned cars for personal use. All miles other than those driven for business purposes, as defined by the IRS, are considered personal miles and are accounted for as a taxable benefit to the employee. A copy of the Association travel policy is available to stockholders upon request.

Summary Compensation Table	2014	2013	2012
William J. Lipinski, CEO			
Salary	$ 600,000	$ 550,000	$ 535,000
Short-term Incentive	366,150	318,861	300,040
Long-term Incentive	275,000	267,500	260,000
Change in Pension Value	800,319	463,782	600,608
Deferred/Perquisites[3]	72,633	64,615	59,285
Total	$ 2,114,102	$ 1,664,758	$ 1,754,933
Senior Officers (excluding CEO)[1]			
Salary	$ 3,261,480	$ 2,338,133	$ 2,345,540
Short-term Incentive	424,775	343,000	316,400
Retention Incentive[2]	1,337,747	374,616	382,157
Change in Pension Value	1,355,472	823,236	1,474,631
Deferred/Perquisites[3]	376,259	253,583	199,176
Total	$ 6,755,733	$ 4,132,568	$ 4,717,904

[1] The number of senior officers in 2014 reflected in this chart was seventeen; the number of senior officers in 2013 and 2012 and reflected in this chart was thirteen.
[2]The retention incentive reflects the amount awarded to these senior officers. The amounts are held as a general obligation of the Association and are subject to forfeiture. Included in 2014 are one-time payments totaling $882,500 for the termination of an employment contract and for the retention of a senior officer as a result of the merger with Farm Credit of Maine.
[3]Represents company contributions to a 401(k) retirement savings plan and nonqualified deferred compensation plan, as well as payment of relocation expenses and associated tax impact; the taxable benefit of a company automobile for personal use, as determined by IRS regulations, wellness benefits and company paid life insurance benefits.

Pension Benefits

The table below shows the present value of accumulated benefits payable as of December 31, 2014 to the CEO and aggregate for the senior officers by plan, including the number of years of credited service.

Pension Benefits Table - 2014	Number of Years of Credited Service[2]	Actuarial Present Value of Accumulated Benefits[3]	Payments During Last Fiscal Year
William J. Lipinski, CEO			
CoBank , ACB Retirement Plan	34.17	$ 2,310,792	$ 0
Supplemental Executive Retirement Plan	34.17	2,829,260	0
Total		$ 5,140,052	$ 0
Senior Officers (excluding CEO)[1]			
CoBank , ACB Retirement Plan	29.29	$ 11,160,138	$ 0
Total		$ 11,160,138	$ 0

[1]The number of senior officers at December 31, 2014 and reflected in this chart was twelve
[2] Represents an average for the aggregate senior officer group reflected in this chart
[3] The Present Value of Accumulated Benefit is based on assumptions and valuation dates that are the same as those used for the valuation of pension liabilities in the 2014 annual report, see Note 10 "Employee Benefit Plans". Retirement age is assumed to be Normal Retirement Age. The CoBank, ACB Retirement Plan pay benefits in the form of a 5-year certain and life annuity. Optional forms of annuity payments are available on an actuarially equivalent basis. The calculations assume that a lump sum is elected by each participant. The assumption is made that there is no probability of pre-retirement death or termination by any other cause. The discount rate used is 4.10 percent as of December 31, 2014. The lump sum basis used for the valuation is 6.50 percent with RP-2000 Combined Healthy participant mortality table. The potential impact of 415 limits is not reflected.

Transactions with Senior Officers

At December 31, 2014, there were no loans outstanding to a senior officer and there were loans outstanding to an immediate family member of one senior officer. All of the loans approved were in the ordinary course of business and remain on the same terms, including interest rates, amortization schedules, and collateral as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility. Information regarding related party transactions is incorporated herein by reference from Note 11 of the consolidated financial statements included in this annual report to stockholders.

Code of Ethics

The Association sets high standards for honesty, ethics, integrity, impartiality and conduct. Each year, every employee certifies compliance with the Association's Employee Standard of Conduct Policy which establishes the ethical standards of the Association. Additionally, all employees certify compliance with the Code of Ethics. The Code of Ethics supplements the Employee Standard of Conduct Policy and establishes additional responsibilities related to the preparation and distribution of the Association's financial statements and related disclosures. For details about the Association's Code of Ethics, visit ***Farmcrediteast.com*** and click on About Us. A copy of the Association's Code of Ethics is available to stockholders upon request.

Disclosure Information Required by Regulations

In accordance with Farm Credit Administration regulations, Farm Credit East, ACA (the Association) has prepared this Annual Report to Stockholders for the year ended December 31, 2014 in accordance with all applicable statutory or regulatory requirements.

Description of Business

General information regarding the business is incorporated herein by reference to Note 1 of the financial statements included in this annual report to stockholders.

The description of significant developments, if any, required to be disclosed in this section is incorporated herein by reference to "Management's Discussion and Analysis of Financial Position and Results of Operations" included in this annual report to stockholders.

Description of Property

Farm Credit East, ACA is headquartered in Enfield, CT. A listing of Association offices owned and/or occupied are on the inside back cover of this annual report. The Cobleskill, NY office is leased while all other properties listed are owned by Farm Credit East.

Legal Proceedings and Enforcement Actions

Information regarding legal proceedings is incorporated herein by reference to Note 12 of the consolidated financial statements included in this annual report to stockholders. The Association was not subject to any enforcement actions at December 31, 2014.

Description of Capital Structure

Information required to be disclosed in this section is incorporated herein by reference to Note 7 of the consolidated financial statements included in this annual report to stockholders.

Description of Liabilities

Information required to be disclosed in this section is incorporated herein by reference to Notes 6, 9, 10, 12, 13 and 15 of the consolidated financial statements included in this annual report to stockholders.

Selected Financial Data

"Five Year Summary of Selected Financial Data" included in this annual report to stockholders, is incorporated herein by reference.

Management's Discussion and Analysis

"Management's Discussion and Analysis" included in this annual report to stockholders, is incorporated herein by reference.

Financial Statements

The "Report of Management", "Report of Audit Committee", "Management's Report on Internal Control over Financial Reporting", "Report of Independent Auditors", "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" included in this annual report to stockholders, is incorporated herein by reference.

Directors and Senior Officers

"Director Disclosures" and "Senior Officer Disclosures" included in this annual report to stockholders, is incorporated herein by reference.

Relationship with Independent Auditors

There were no changes in independent auditors since the prior annual report to stock holders and there has been no material disagreement with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

Credit and Services to Young, Beginning, Small and Veteran Farmers and Ranchers

"Young, Beginning, Small and Veteran (YBSV) Farmers and Ranchers Program" included in this annual report to stockholders, is incorporated herein by reference.

Involvement in Certain Legal Proceedings

There were no matters that came to the attention of the Board of Directors or management regarding involvement of current directors or senior officers in specified legal proceedings that require to be disclosed.

Unincorporated Business Entities

As of December 31, 2014, Farm Credit East had equity ownerships in the following Unincorporated Business Entities:

Name	Purpose	Ownership %
RHBarnes RD, LLC	Acquire and hold other property owned	100%
Farm Credit East Rochester/Plymouth REO, LLC	Acquire and hold other property owned	100%
Eastern Greenhouses, LLC	Acquire and hold other property owned	100%
FarmStart, LLP	Invest in young, beginning, small and veteran farmers	45%
Crop Growers, LLP	Provide crop insurance services	60%
Rural Investments, LLC	Special purpose entity to make mission-related investments	100%

CoBank, ACB Annual Report and Quarterly Reports

As an Association Stockholder, your equity investment in the Association is materially affected by the financial condition and results of operations of the CoBank, ACB (CoBank).

Regulations require that CoBank's Annual and Quarterly Reports be made available to you upon request at no charge. Accordingly, you may pick-up a copy of CoBank's Annual and Quarterly Reports at one of our offices, or you may call the office to have a copy sent to you. A listing of the Association offices and telephone numbers are listed on the inside back cover of this Annual Report.

Customer Privacy

Customer financial privacy and the security of your other non-public information are important to us. Farm Credit East holds your financial and other non-public information in strictest confidence. Federal regulations allow disclosure of such information by us only in certain situations. Examples of these situations include law enforcement or legal proceedings or when such information is requested by a Farm Credit System institution with which you do business. In addition, as required by Federal laws targeting terrorism funding and money laundering activities, we collect information and take actions necessary to verify your identity.

Young, Beginning, Small and Veteran (YBSV) Farmers and Ranchers Program

Overview

Farm Credit East, ACA (the Association) takes great pride that its founding Board of Directors (Board) made young, beginning and small farmers a special focus since its founding in 1994. The Board maintains a standing committee of directors to oversee young, beginning and small farmer service and initiatives, as well as to plan further to serve these groups. In 2013 the Board was proud to expand their outreach to Gulf War-era II veterans.

Mission

The Association's Board recognizes that the long range strength and soundness of the future of Farm Credit East and of the agricultural community in the area it serves depends on the individuals entering the industry. It further recognizes that demands for capital and farm and financial management skills make it difficult to become established in the business. Therefore, we believe that it is in the Association's best interest to assist young, beginning, small and veteran farmers by providing loans and credit related services, and help to provide and encourage their participation in activities that improve farm and financial management skills.

Program Definitions

The definitions of young, beginning, small and veteran farmers and ranchers are:

- Young - A farmer, rancher, producer or harvester of aquatic products who is 35 years or younger as of the loan transaction date.
- Beginning - A farmer, rancher, producer or harvester of aquatic products who has 10 years or less farming experience as of the loan transaction date.
- Small Farmer: A farmer, rancher, producer or harvester of aquatic products who normally generates less than $250,000 in annual gross sales of agricultural or aquatic products.
- Veteran – Gulf War-era II veterans having served in US Forces anywhere in the world at any time since September 2001.

Objectives

Young, beginning, small and veteran farmers are a vital part of agriculture and Farm Credit East is proud to provide innovative products and services that contribute to their success. In 1995, the Board created a committee to develop and then oversee a program to assist young, beginning and small farmers, regarding this as one of the core values of the Farm Credit East association. In 2013 the Board was proud to expand their outreach to Gulf War era II veterans.

Services Provided

There are several credit and other related services offered through the Board approved YBSV Program that allows Farm Credit East to effectively serve the needs within the young, beginning, small and veteran customer segments:

- Special incentives that may be offered at a discount up to five years include:
  - Farm accounting and management software fees
  - Tax preparation fees
  - Consulting fees
  - Appraisal fees
  - FSA guaranteed loan fees
  - Interest rate assistance

Farm Credit East's special incentives were $362,175, $364,983 and $226,038 for the years ended December 31, 2014, 2013, and 2012 respectively.

- Since 2006, incentives are offered to organizations, schools, and universities for special training and educational programs utilizing the Farm Credit East developed *Harvesting a Profit* guide.
- Farm Credit East provides support, funding, and staff involvement in Dairy Fellows, Farm Credit Fellows, Ag Ambassadors, North East Dairy Challenge, and other programs at educational institutions.
- Representation by YBS farmers on Farm Credit East's Customer Service Councils. These councils provide customer feedback and function as a liaison to association management.
- A portion of the young, beginning and small loan portfolio is supported by government guarantees, including guarantees by the Farm Services Agency (FSA) and USDA's Business and Industry guaranteed loan program. Provided below are statistics related to government guarantees usage among the YBSV portfolio.

Government Guaranteed Young, Beginning and Small Farmer Loans

	Number	Volume *
Young	394	$ 59,809
Beginning	433	$ 72,993
Small	460	$ 52,443

** in thousands*

New Government Guaranteed YBS Loans (Originated in 2014)

	Number	Volume *
Young	60	$ 13,656
Beginning	64	$ 13,844
Small	54	$ 7,459

** in thousands*

- Farm Credit East works closely with the New York State Linked Deposit Program which reduces the effective interest rate paid on loans for qualifying projects.
- Farm Credit East's Scholarship program awards scholarships to 31 students with an emphasis towards those students with "ag" backgrounds and pursuing interests related to agriculture.
- The Association works with the Northeast Cooperative Council (NECC) to develop and host young cooperators programs along with sponsoring attendance by customers.
- Farm Credit East provides a series of annual seminars that focus on developing skill sets of YBS farmers.
- Receiving regulatory authority in late 2005, Farm Credit East secured a partner (CoBank, ACB) and chartered FarmStart, LLP (FarmStart). At December 31, 2014, Farm Credit East has an equity investment in FarmStart of $1,182,457. FarmStart assists beginning farmers and new cooperatives by providing investments in working capital of up to $50,000. At December 31, 2014, FarmStart has 73 investments with an outstanding balance of $2.2 million.

Demographics

The local service area of Farm Credit East, ACA includes the states of New Jersey, Rhode Island, Connecticut, Maine, Massachusetts, and parts of the states of New York and New Hampshire. Demographic data for Young, Beginning, and Small farmers was taken from the USDA's 2012 Census of Agriculture. The census is conducted every five years. It showed the following:

Percentage Levels in Farm Credit East Lending Territory Expressed as a % of Total Farms

Young	Beginning	Small
11.8%	28.6%	90.1%

Farm Credit East has annually undertaken a study of the young, beginning, small farmer segment. This study makes a determination of Association penetration of young, beginning and small farmers utilizing information reported in the 2012 Census of Agriculture to better ascertain Farm Credit East's penetration of these farmer segments.

The following table shows Farm Credit East's penetration in each market segment:

Penetration Levels in Farm Credit East Lending Territory December 31, 2014

Young	Beginning	Small
19%	27%	40%

Farm Credit East penetration is determined based on the number of loans to a specified group as a percentage of total loans.

Young, Beginning and Small Farmer Volume in Farm Credit East's Loan Portfolio

The following table outlines the percentage of young and beginning farmer and rancher loans in the loan portfolio (by number and volume) as of December 31, 2014 compared to total number of loans in the portfolio:

Category	Number of Loans	% of Total Loans	*Volume Outstanding	% of Total Volume
Total Loans and Commitments	18,619	100%	$ 7,596,553	100%
Young Farmers and Ranchers	3,587	19%	$ 969,564	13%
Beginning Farmers and Ranchers	5,033	27%	$ 1,232,790	16%

** in thousands*

The following table provides a breakdown of small farmer and rancher loans by size as of year-end 2014:

Number / Volume Outstanding	$0 - $50,000	$50,000 - $100,000	$100,000 - $250,000	>$250,000
Total # of Loans and Commitments	5,044	3,646	4,806	5,123
Total # of Loans to Small Farmers / Ranchers	2,725	1,923	1,951	945
# of Small Loans as a % of Total # of Loans	54%	53%	41%	18%
Total Loans and Commitments Outstanding	$129,220	$283,207	$797,356	$6,386,771
Total Volume and Commitments to Small Farmers / Ranchers *	$ 74,546	$148,047	$313,612	$ 486,977
Loan Volume to Small Farmers / Ranchers as a % of Total Loan Volume	58%	52%	39%	8%

** in thousands*

Goals and Results

As part of Farm Credit East's planning process, annual quantitative and qualitative goals are established.

The table below outlines the Association quantifiable goals under YBS loan commitments for 2015 and compares actual results to those goals:

	Young	Beginning	Small
12/31/2015 GOAL	**3,600**	**5,000**	**7,600**
12/31/2014 ACTUAL	3,532	4,928	7,432
2014 as a % of GOAL	101%	101%	100%

The numbers listed above do not include any investments made under FarmStart, LLP.

Farm Credit East has established the following quantifiable and quantitative goals under YBS loan commitments for 2015:

	Young	Beginning	Small
12/31/2014 ACTUAL	3,532	4,928	7,432
12/31/2015 GOAL	**3,600**	**5,000**	**7,600**
12/31/2016	3,800	5,100	7,800
12/31/2017	3,900	5,200	8,000
12/31/2018	4,000	5,300	8,200
12/31/2019	4,100	5,400	8,300

Farm Credit East YBSV 2015 qualitative goals address credit, collaboration, financial services and educational assistance, to include:

- Continue incentive programs including interest rate reductions, payment of FSA guarantee fees, and fee reductions on certain financial services (record keeping, taxes, appraisal, and consulting) in order to facilitate the entry of new farmers and to make Farm Credit their service provider of choice.

- Provide 31 scholarships for students pursuing a career in agriculture while continuing to support the Gladys E. Conant Memorial Farm Credit 4-H Scholarship and the John N. Lagerstrom Memorial Farm Credit Scholarship

- Support funding and staff involvement in Dairy Fellows, Farm Credit Fellows, Ag Ambassadors, Northeast Dairy Challenge, Tilling the Soil of Opportunity, Long-Term Education about Forests (LEAF), Ag in the Classroom, and other programs at educational institutions. The Association will also continue to provide direct training resources to facilitate classroom training programs for young, beginning, small, and veteran farmers such as the Ag Business class at Morrisville College and the Agricultural Appraisal class at SUNY Cobleskill.

- Continue developing licensing arrangements with organizations such as Cornell's Small Farmer Program and also their Beginning Farmer Program for use of Farm Credit East's ***Harvesting a Profit*** program to be used in developing farmers' skills.

- Actively support government programs and related efforts when their objectives and execution are aligned with the Farm Credit mission. Several programs subsidize interest costs to YBSV borrowers or offer grant funding.

- Continue ***Farm Credit East Agricultural Leadership and Excellence Program*** supporting agricultural leadership and excellence.

- Local grass roots involvement by branch staff in organizations such as FFA, 4-H, Young Farmers Associations, New York Agriwomen, etc. This outreach will be posted in our EastNet repository which will enhance the opportunity to develop and implement any additional programs deemed appropriate to meet marketplace needs.

- Seek additional representation by YBSV farmers on Association customer service councils.

- Farm Credit East will take over sponsorship of the FFA Eastern Star Farmer Program as it was dropped by the national FCS sponsorship program due to its being "local." Farm Credit East will also have staff reach out to state FFA leadership within our LSA to offer resources to serve FFA chapters.

- Advertisements geared to YBSV famers and participating in publications such as: Small Farm Quarterly, Dairy Business East, County Folks, etc.

- Continued support and collaboration with state programs such as *FarmLink*, *FarmNet*, *Maine FarmLink*, and the *Beginning Farmers Resource Network (BFRN).*

- Farm Credit East will continue to actively participate in the Northeast Farm Credit AgEnhancement Program, whose purpose is to accept and approve, as appropriate, applications for funding in the $500-$8,000 range for projects that educate both agricultural groups and the non-agricultural public on Northeast agriculture. Funding is also targeted at young, beginning, and small farm interests such as regional conferences and new technologies that may enhance the viability of Northeast agriculture or provide new opportunities for start-up agricultural businesses.

Customer Service Councils

The Farm Credit East Board of Directors has established a system of Customer Service Councils (CSC) for each of the 21 branch offices. These are composed of a cross section of stockholders and other members of the agricultural community who meet three times annually with their local Branch Office Manager to provide feedback and input on a variety of topics. This is in keeping with Farm Credit East's strategic vision of retaining a strong grass roots network and having strong, highly empowered branch offices.

The track record of the CSCs has been very positive as Farm Credit East Branch Office Managers have received invaluable feedback on a wide variety of topics. The Board and Management sincerely appreciate the contribution of the CSC members listed below and look forward to building on this Farm Credit East tradition in 2015.

Auburn, ME

Arthur W. Batson III, John Lucas Tree Expert Co., Portland, ME
Libby P. Bleakney, Highland Farms, Cornish, ME
William J. Bullard, Brigeen Farms, Inc., Turner, ME
Benjamin D. Carlisle, Prentiss and Carlisle, Bangor, ME
James V. Crane, Crane Brothers, Inc. Exeter, ME
Allyson E. Jordan, Eat Local Fish, Portland, ME
Robert E. Linkletter, Maine Woods Pellet, Athens, ME
Jacob E. Pierson, Pierson Nurseries, Portland, ME
James L. Robbins, Robbins Lumber, Searsmont, ME
Todd R. Sawyer, TRS Timber Maintenance, Inc., Waterford, ME
Brian S. Souers, Treeline, Inc., Lincoln, ME
Lisa M. Webster, Northstar Farms, Windham, ME
Peter Triandafillou, Huber Resources, Old Town, ME

Batavia, NY

James Anderson, Avon, NY
Peter Dueppengiesser, Dueppengiesser Dairy Co., LLC, Perry, NY
Rod Farrow, Lamont Fruit Farms, Waterport, NY
Tom Jeffres, R.L. Jeffres & Sons, Inc., Wyoming, NY
Brett Kreher, Kreher's Poultry Farm, Clarence, NY
Matthew Lamb, Lamb Farms, Inc., Oakfield, NY
Bradley A. Macauley, Merrimac Farms, Inc., Geneseo, NY
Andrew Milleville, AM Farms LLC, Lockport, NY
Jeffrey Mulligan, Mulligan Farm, LLC, Avon, NY
Jody Neal, Orleans Poverty Hill Farm PS, Albion, NY
John Reynolds, Reyncrest Farms Inc., Corfu, NY
Ann Schulze, Schulze Vineyards and Winery LLC, Burt, NY
Jason Schwab, Schwab Dairy Farm, Delvan, NY
Jason Swede, Swede Farms, LLC, Piffard, NY
Sue Weber, Mike Weber's Greenhouses, Inc., West Seneca, NY

Bedford, NH

Nick Brunet, Green Crow Corporation, Auburn, NH
Kathleen Donald, Stout Oak Farm, Brentwood, NH
Joseph E. Golter, Golter Lobster Fisheries, LLC, Greenland, NH
Robert A. Johnson, II, Pittsfield, NH
Marcelyn A. O'Connell, Holland Farm, LLC, Milford, NH
Jamie Robertson, Bohanan Farm, Contoocook, NH
Stewart R. Yeaton, Yeaton Dairy Farm, LLC, Epsom, NH

Bridgeton, NJ

Hillary Barile, Rabbit Hill Farms, LLC, Shiloh, NJ
Donald Blew., Centerton Nursery. Inc., Bridgeton, NJ
Michael Brooks, Dusty Lane Farms, LLC, Elmer, NJ
James Brown, New Moon Nursery, LLC, Bridgeton, NJ
John Coombs, Jr., Coombs Sod Farms, LLC, Elmer, NJ
Byron Dubois, DuBois Spring Brook Farms, LLC, Pittsgrove, NJ
David K. Johnson, D. Johnson Farms, Inc., Bridgeton, NJ
Edward Overdevest, Overdevest Nurseries, Inc., Bridgeton, NJ
Dean Roork, Dean A. Roork, LLC, Greenwich, NJ
Louis Sepers, Sepers Nursery, LLC, Newfield, NJ
Thomas Sheppard, Sheppard Farms, Inc., Cedarville, NJ
Donald C. Strang, Farm Rite, Inc., Elmer, NJ
Frank Tedesco, Safeway Freezer Storage Company, LLC, Vineland, NJ

Burrville, NY

Eric Behling, Behling Orchards, LLC, Mexico, NY
Jonathan Beller, Beller Farms, LLC, Carthage, NY
Kristina Burger, Deer Run Dairy, Adams, NY
Lynn Murray, Murcrest Farms, Watertown, NY
Ronald Robbins, North Harbor Dairy, LLC, Sackets Harbor, NY
David Rudd, Lacona, NY
David Fralick, The Cape Winery, Cape Vincent, NY
Lyle Wood, Wood Farms, LLC, Clayton, NY

Claverack, NY

Peter Barton, Lime Ridge Farms/Barton Orchards, Poughquag, NY
David W. Becker, Becker's Farm, Rensselaer, NY
Ulderic Boisvert, H.U.R.B. Landscaping, Inc., Albany, NY
Jonathan Chiaro, Yonder Fruit Distributors, Hudson, NY
Robert Graves, Faddegon's Nursery, Inc., Latham, NY
Christine Jones, Sunrise Farm, Inc., Catskill, NY
Michael Lischin, Dutchess View Farm, Pine Plains, NY
Phil Trowbridge, Trowbridge Farms, Ghent, NY
Lloyd Vaill, Jr., Lo-Nan Farm, LLC, Pine Plains, NY

Cobleskill, NY
John Balbian, Grober Nutrition, Amsterdam, NY
Christopher Fredericks, Insight Dairy, Little Falls, NY
Luke Johnson, Joleanna Holsteins, Unadilla, NY
Russell J. Kelly, Jr., Glenvue Farm, Fultonville, NY
Brent Leonard, Carefree Gardens, Cooperstown, NY
M. Victoria McCaffrey, Oxkill Farm, Schoharie, NY
Michael D. Phelan, Boulder Brook Farm, Warnerville, NY
David W. Rivkowich, Veit Farms LLC, Fort Plain, NY
Charles N. Tommell Jr., CN Tommell Cattle Company LLC, Berne, NY

Cortland, NY
Dennis Birdsall, Homer, NY
Barbara Dedrick, Dedrick Farms, Dryden, NY
Carl Dennis, Manlius, NY
Paul Fouts, Fouts Farm, Cortland, NY
John Gates, Seneca Valley Farms, Burdett, NY
Lee Hudson, Hudson Egg Farms, Camillus, NY
James Loomis, Fabius, NY
Edie McMahon, McMahon's E-Z Acres, Homer, NY
Joel Riehlman, Venture Farms, Tully, NY
George Schaefer, Schaefer's Gardens, Chenango Forks, NY
Judith Whittaker, Whittaker Farms, Whitney Point, NY

Dayville, CT
John Bennett, John Bennett Stables, Putnam, CT
Allyn Brown, III, Maple Lane Farms, Preston, CT
Robin Chesmer, Graywall Farms, Lebanon, CT
Jan Eckhart, Sweet Berry Farm, Middletown, RI
John Eidson, Sodco, Wakefield, RI
Sharon Hewes, Holdridge Farm Nursery, Ledyard, CT
Samuel Hull, N.E. Timberland Investments, Union, CT
James Koebke, Walnut Lane Farm, Dudley, MA
John Nunes, Jr., Newport Vineyards, Middletown, RI
Ellen Puccetti, Wright's Dairy Farm, North Smithfield, RI
Perry Raso, Matunuck Oyster Farm, Peacedale, RI
Linda Rich, We-Li-Kit Farm, Pomfret, CT
Clark Woodmansee, Woodmansee Farm, Preston, CT

Enfield, CT
Steve Basile, Basile's Clear Brook Farm, Incorporated, Granby, CT
John Casertano, N. Casertano Greenhouses and Farms, Inc., Cheshire, CT
Edward Kasheta, Jr., Kasheta Farms, Inc., South Windsor, CT
Ronald "Skip" LeClerc, LeClerc & Sons Logging, Belchertown, MA
Kurt Lindeland, Connecticut Mulch Distributors, Inc., Enfield, CT
Charles Newman, Planters' Choice, LLC, Newtown, CT
Darryl Newman, Planters' Choice, LLC, Newtown, CT
Don Patterson, Patterson Farm, Sunderland, MA
Karen Randall, Randall's Farm, Inc., Ludlow, MA
Bill Van Wilgen, Van Wilgen's Garden Center, North Branford, CT

Flemington, NJ
Kurt Alstede, Alstede Farms, Chester, NJ
Lisa Applegate, Battleview Orchards, Freehold, NJ
Stephen Barlow III, Barlow Flower Farm, Sea Girt, NJ
Steve Gambino, Villa Milagro Vineyards, Finesville, NJ
Pete Hionis, Bayonne, NJ
Steven R. Jany, Rustin Farms, West Windsor, NJ
Richard D. Klevze, Ringoes, NJ
Michael Puglisi, Puglisi Egg Farms, Howell, NJ
Stanley Skeba, Monroe, NJ

Geneva, NY
Kendra Burnap, Burnap Fruit Farms, LLC, Sodus, NY
Matthew Doyle, Doyle Vineyard Management, LLC, Hammondsport, NY
John Fowler, Fowler Brothers, Inc., North Rose, NY
John Karszes, Heifer Haven Farms, Stanley, NY
James Kennedy, Willow Pond Aqua Farms, Inc., Canandaigua, NY
Gary Lilyea, Lilyea Farms, Penn Yan, NY
Daniel Osborn, Ridgecrest Dairy, LLC, Genoa, NY
Adams Peters, Peters LakeAire Orchards, LLC, Williamson, NY

Greenwich, NY
James Chambers, Chambers Valley Farms, Inc., Salem, NY
Nathan Darrow, Saratoga Apple, Schuylerville, NY
Charles Hanehan, Hanehan Family Dairy, LLC, Saratoga Springs, NY
David D. Horn, DVM, Greenwich, NY
Ian C. Murray, Brookside Farms, Inc., Ballston Spa, NY
Sean Quinn, Kernel Acres Sunset View Farm, LLC, Easton NY
Willard (Bill) Peck, Welcome Stock Farm, Bacon Hill, NY

Hornell, NY
Jonathan D. Burns, Burns Family Farm, LLC, Hornell, NY
Michael D. Clark, Houghton, NY
Chuck Deichmann, Willow Creek Farm, Belmont, NY
Bryan Dickson, Dickson Trucking LLC, Savona, NY
Darlene Krisher-Meehan, Country Crossroads Feed and Seed, Andover, NY
Ed Merry, Lismore Dairy, LLC, Arkport, NY
Daniel B. Schumacher, Schum Acres & Associates, Inc., Naples, NY
Greg Squires, J&G Squires, Prattsburg, NY
Joe Trappler, JT Logging, Addison, NY

Mayville, NY
Ed Barger, Donald E. Barger, Jr., Westfield, NY
Nathan Blesy, Blesy Farms, LLC, Springville, NY
Tara Cotter, Oak View Dairy LLC, Jamestown, NY
Stephen J. Falcone, Falcone Farms, Inc., Silver Creek, NY
Kevin T. Powell, Powell Vineyards, LLC, Portland, NY
Marty Rosiek, MCR Farms, Brant, NY
Chad Schofield, Schofield Farms, LLC, Westfield, NY
Samuel Sheehy, Winery of Ellicottville, North Collins, NY
Roger W. ten Pas, Breeze Acres, Ellington, NY
Jody Waterman, Kevin and Jody Waterman, Forestville, NY

Middleboro, MA
Dawn M. Allen, Freetown Farm, LLC, Freetown, MA
John W. Bartlett, Bartlett's Ocean View Farm, Inc., Nantucket, MA
Marjie Beaton-Kane, Bayside Agricultural, Inc., Wareham, MA
John Hornstra, Hornstra Farm Dairy, Inc., Norwell, MA
Fred Jenkins, J.A. Jenkins & Son Cranberry, LLC, Marston Mills, MA
Kevin McLaughlin, Fairhaven Shipyard Companies, Inc., Fairhaven, MA
Matthew Piscitelli, Olson Greenhouses, Raynham, MA
John F. Risso, Valinor Farm, LLC, Plymouth, MA
William B. Stearns IV, Southers Marsh Golf Club, LLC, Plymouth, MA

Middletown, NY
Wisner Buckbee, Jr., Warwick, NY
Richard Byma, Sussex, NJ
Steven Clarke, Prospect Hill Orchard, Inc., Milton, NY
Roderick O. Dressel, New Paltz, NY
Peter J. Ferrante, New Paltz, NY
Eileen Frangione, Westtown, NY
Charles Lain, Jr., Pine Island Turf Nursery, Inc., Pine Island, NY
John Lupinski, Goshen, NY

Potsdam, NY
Mark Akins, Five Mile Farms, Lisbon, NY
Daniel Chambers, Chambers Farms, LLC, Heuvelton, NY
Blake Gendebien, Twin Mill Farms, LLC, Ogdensburg, NY
Allen Kelly, Kelly Farms, Rensselaer Falls, NY
LouAnne King, Mapleview Dairy, LLC, Waddington, NY
Jeff Liberty, Tri-Town Packing Corporation, Winthrop, NY
Bill McDonald, Salmon River Holdings Inc. DBA Bombay Farms, Bombay, NY
Keith Pierce, Royal J Acres, LLC, Ogdensburg, NY
Patrick Smith, LT Smith and Sons, Canton, NY
Amy Thompson, Canton Animal Clinic, Canton, NY

Presque Isle, ME
Jim Beaulier, Buck Construction, Mapleton, ME
Bryan Bell, Bell Brothers, Inc., Mars Hill, ME
Barry Buck, Buck Farms, Mapleton, ME
Matt Griffeth, Limestone, ME
Keith LaBrie, LaBrie Farms, LLC, St.Agatha, ME
Keith Lane, Sherman, ME
Nick McCrum, McCrum Land, LLC, Mars Hill, ME
Andy McGlinn, Triple Crown Farms, Inc., Presque Isle, ME
Steve Ouellette, Frank Martin Sons, Inc., Fort Kent Mills, ME
Erica Peabody, Houlton, ME
Greg Schools, Littleton, ME
Emily Smith, Smith's Farm, Inc., Presque Isle, ME

Riverhead, NY
Karl Auwaerter, Bayport Flower Houses, Inc. Bayport, NY
Louis Caracciolo, Jr., Shade Tree Nursery, Jamesport, NY
Carl Gabrielsen, Gabrielsen Farms, LLC. Jamesport, NY
Adam Halsey, Water Mill, NY
Eve Kaplan, Walbrecht, Garden of Eve, Riverhead, NY
Norman Keil, N & O Horticultural Products, Inc., St. James, NY
Robert W. Nolan, Deer Run Farms, LLC, Patchogue, NY
Lyle Wells, Wells Homestead Acres, Riverhead, NY

Sangerfield, NY
Johannes Barendse, River Road Farm & Greenhouses, Utica, NY
Rob Collins, Collins Knoll Farm, Sauquoit, NY
David Curtin, Curtin Dairy, LP, Cassville, NY
James Frazee, Cazenovia Equipment Company, Cazenovia, NY
Lukas George, George's Farm Products, Inc., Clinton, NY
Joseph Guzik, Beeline Farms, Richfield Springs, NY
Amy Kelsey, Monanfran Farms, Inc., Canastota, NY
John Marshman, Tiger Lily Farms, Oxford, NY
Corey Mosher, Mosher Farms, Bouckville, NY
Mark Trnchik, Jr., Taberg, NY

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