

SECOND QUARTER 2005

Management's Discussion and Analysis of
Financial Condition and Results of Operations.....2

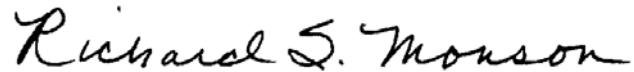
Consolidated Financial Statements

Consolidated Balance Sheets.....5

Consolidated Statements of Income.....6

Consolidated Statements of Changes in Members' Equity.....7

Notes to the Consolidated Financial Statements.....8



Richard S. Monson
President/CEO



Bobby J. Brooks
Chairman of the Board

July 29, 2005

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Southwest Georgia Farm Credit ACA, (Association) for the period ended June 30, 2005. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2004 Annual Report of the Association.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including cotton, peanuts, vegetables, livestock, pecans, dairy, poultry, timber, investments in government guarantees, landlords and rural home loans. These major farm commodity groups represent approximately \$328,202 or 76.16 percent of the loan portfolio as of June 30, 2005. Farm size varies and many of the borrowers in the region have diversified farming operations; this factor, along with the opportunities for non-farm income in the area, somewhat impacts the level of dependency on a given commodity.

Rains have been timely and have helped crops throughout the Association look good as a whole. Input costs have increased compared to 2004 because of increased fuel prices, which may affect bottom line income. With government program payments, the Association is anticipating that most farm operations will experience positive cash flow. Overall the Association is anticipating a good year for farm operations in our region.

The gross loan volume of the Association as of June 30, 2005, was \$436,970, an increase of \$35,473 as compared to \$401,497 at December 31, 2004. Net loans outstanding at June 30, 2005, were \$436,126 as compared to \$400,654 at December 31, 2004. Net

loans accounted for 96.33 percent of total assets at June 30, 2005, as compared to 94.98 percent of total assets at December 31, 2004.

The increase in gross and net loan volume during the reporting period is attributed primarily to seasonal lending and new loan business. The short-term portfolio, which is heavily influenced by operating-type loans, normally reaches a peak in August and declines in the fall months as farm commodities are marketed and proceeds are applied to the operating loans.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. The Association has a portfolio management policy and plan in place to address portfolio risk and the portfolio is monitored. Nonaccrual loans decreased from \$153 at December 31, 2004, to \$128 at June 30, 2005. Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at June 30, 2005, was \$844 compared to \$844 at December 31, 2004. The allowance for loan loss is still considered adequate due to continued high credit quality.

Allowance for Loan Losses

During 2004, the Association completed its study to further refine the allowance for loan losses methodology taking into account recently issued guidance by the Farm Credit Administration (FCA), the System's regulator, as well as the Securities and Exchange Commission (SEC) and Federal Financial Institutions Examination Council. As a result of this study and the resulting refinements in methodology, during the fourth quarter of 2004, the Association recorded a \$6,701 reversal of the allowance for loan losses. The Association's allowance for loan losses methodology utilized prior to the study was in accordance with generally accepted accounting principles and was consistently applied.

In April 2004, the FCA issued an "Informational Memorandum" to System institutions regarding the criteria and methodologies that should be used in evaluating the adequacy of a System institution's allowance for loan losses. The Farm Credit Administration endorsed the direction provided by these other regulatory agencies and indicated the conceptual framework addressed in this guidance would be included as part of their examination process.

The refinement in methodology resulted in calculated allowance for loan losses that was significantly less than the previously recorded balance due to revised loss factors that are more indicative of actual loss experience in recent years and current borrower analysis. The factors considered in determining the revised level of allowance for loan losses were generally based on recent historical charge-off experience adjusted for relevant environmental factors. The Association considered the following when adjusting the historical charge-offs experience:

- changes in credit risk classifications,
- changes in collateral values,
- changes in risk concentrations,
- changes in weather related conditions, and
- changes in economic conditions.

While the reversal had a significant impact on 2004 results of operations and the previously recorded allowance for loan losses, the refinement in methodology is not expected to have a significant impact on comparative results of operations in future periods.

RESULTS OF OPERATIONS

For the three months ended June 30, 2005

Net income for the three months ended June 30, 2005, totaled \$2,393, as compared to \$1,924 for the same period in 2004, an increase of \$469. Net interest income increased \$334, for the three months ended June 30, 2005, as compared to the same period in 2004. The increase is primarily due to increased volume during the reporting period compared to June 30, 2004.

For the three months ended June 30, 2005, interest income on accruing loans increased \$1,738 compared to the same period in 2004. Nonaccrual income was \$0 for the three months ended June 30, 2005, as compared to \$0 for the same period in 2004. Interest

expense increased \$1,404 for the three months ended June 30, 2005, as compared to the three months ended June 30, 2004. Noninterest income for the three months ended June 30, 2005, totaled \$1,095, as compared to \$948 for the same period of 2004, an increase of \$147. The increase in noninterest income is primarily attributed to an increase in equity in earnings of other Farm Credit institutions of \$145. Noninterest expense for the three months ended June 30, 2005, increased \$15 compared to the same period of 2004. The increase is attributed to a decrease of \$38 in salaries and employee benefits, offset by an increase of \$18 in occupancy and equipment, a decrease of \$40 in insurance fund premium, and an increase of \$75 in other operating expenses. The benefit for income taxes for the three months ended June 30, 2005, was \$2 compared to a provision of \$1 for the three months ended June 30, 2004.

For the six months ended June 30, 2005

Net income for the six months ended June 30, 2005 totaled \$4,562, as compared to \$3,852 for the same period in 2004. This increase of \$710, or 18.43 percent, is primarily attributed to an increase in interest income of \$3,063, an increase in noninterest income of \$311, a benefit in tax expense of \$3, offset by an increase in interest expense of \$2,471, and an increase in noninterest expense of \$196.

Interest income for the six months ended June 30, 2005, was \$12,806, compared to \$9,743 for the same period in 2004, an increase of \$3,063 or 31.44 percent. Interest expense for the six months ended June 30, 2005, totaled \$7,425, compared to \$4,954 for the same period in 2004, an increase of \$2,471 or 49.88 percent. Net interest income increased \$591 or 12.34 percent between the two periods. The increase in net interest income is primarily attributed to an increase in interest income. Nonaccrual income was \$0 for the six months ended June 30, 2005, compared to \$0 for the same period in 2004.

Noninterest income for the six months ended June 30, 2005 totaled \$2,143 as compared to \$1,832 for the same period of 2004, an increase of \$311. This increase resulted from an increase in equity in earnings of other Farm Credit Institutions of \$320, an increase in other income of \$67, offset by a decrease of \$68 in loan fees, a decrease of \$6 in fees for financially related services and an increase of \$2 in losses on other property owned.

Noninterest expense for the six months ended June 30, 2005 totaled \$2,962 compared to \$2,767 for the same period of 2004, an increase of \$195. The increase resulted from an increase in salaries and employee benefits of \$182, an increase in occupancy and equipment expense of \$19, an increase in other operating expenses of \$72, offset by a decrease insurance fund premium of \$78. The benefit for income taxes for the six months ended June 30, 2005 was \$1 compared to a provision for income taxes of \$2 for the six months ended June 30, 2004.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. AgFirst Farm Credit Bank advances the funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at June 30, 2005, was \$389,110 as compared to \$355,722 at December 31, 2004. The increase of \$33,388 during the period is primarily attributed to new loan volume.

CAPITAL RESOURCES

Total members' equity at June 30, 2005, increased to \$58,417 from the December 31, 2004, total of \$57,969. The increase of \$448 is primarily attributed to retained earnings and protected stock retired in excess of net income and capital stock issued for the quarter ended June 30, 2005.

Total capital stock and participation certificates were \$1,635 on June 30, 2005, compared to \$1,778 on December 31, 2004. This decrease is attributed to the retirement of protected stock and participation certificates on loans liquidated in the normal course of business, new loans being capitalized at lower levels and at risk capital stock and participation certificates retired.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of June 30, 2005, the Association's total surplus ratio and core surplus ratio were 15.60 percent and 12.70 percent, respectively, and the permanent capital ratio was 15.96 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 378, or writing Jay Wise, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-229-246-8032 or 1-800-844-2615, writing Barbara B. Clark, Controller, Southwest Georgia Farm Credit, ACA, P. O. Box 790, Bainbridge, Georgia 39818-0790 or accessing the website, www.swgafarmcredit.com. The Association prepares a quarterly report within 45 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Southwest Georgia Farm Credit, ACA
Consolidated Balance Sheets

<i>(dollars in thousands)</i>	June 30, 2005 <i>(unaudited)</i>	December 31, 2004 <i>(audited)</i>
Assets		
Cash	\$ 151	\$ 2,514
Loans	436,970	401,497
Less: allowance for loan losses	844	843
Net loans	436,126	400,654
Accrued interest receivable	6,006	5,794
Investment in other Farm Credit institutions	4,850	4,726
Premises and equipment, net	1,105	1,100
Other property owned	20	—
Other assets	4,467	7,063
Total assets	<u>\$ 452,725</u>	<u>\$ 421,851</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 389,110	\$ 355,722
Accrued interest payable	1,400	1,112
Patronage refund payable	11	2,483
Other liabilities	3,787	4,565
Total liabilities	<u>394,308</u>	<u>363,882</u>
Commitments and contingencies		
Members' Equity		
Protected borrower equity	502	568
Capital stock and participation certificates	1,133	1,140
Retained earnings		
Allocated	20,002	23,949
Unallocated	36,780	32,312
Total members' equity	<u>58,417</u>	<u>57,969</u>
Total liabilities and members' equity	<u>\$ 452,725</u>	<u>\$ 421,851</u>

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

Southwest Georgia Farm Credit, ACA
Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2005	2004	2005	2004
Interest Income				
Loans	\$ 6,773	\$ 5,035	\$ 12,806	\$ 9,743
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	3,976	2,572	7,425	4,954
Net interest income	2,797	2,463	5,381	4,789
Provision for (reversal of) loan losses	—	—	1	—
Net interest income after provision for (reversal of) loan losses	2,797	2,463	5,380	4,789
Noninterest Income				
Loan fees	242	248	484	552
Fees for financially related services	2	2	4	10
Equity in earnings of other Farm Credit institutions	790	645	1,521	1,201
Gains (losses) on other property owned, net	(1)	—	(2)	—
Other noninterest income	62	53	136	69
Total noninterest income	1,095	948	2,143	1,832
Noninterest Expense				
Salaries and employee benefits	962	1,000	1,957	1,775
Occupancy and equipment	121	103	235	216
Insurance Fund premium	35	75	68	146
Other operating expenses	383	308	702	630
Total noninterest expense	1,501	1,486	2,962	2,767
Income before income taxes	2,391	1,925	4,561	3,854
Provision (benefit) for income taxes	(2)	1	(1)	2
Net income	\$ 2,393	\$ 1,924	\$ 4,562	\$ 3,852

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

Southwest Georgia Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)

	Protected Borrower Capital	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2003	\$ 707	\$ 1,139	\$ 24,326	\$ 22,308	\$ (2,374)	\$ 46,106
Net income				3,852		3,852
Protected borrower equity retired	(70)					(70)
Capital stock/participation certificates issued		75				75
Capital stock/participation certificates retired		(73)				(73)
Retained earnings retired			(3,769)			(3,769)
Distribution adjustment			(285)	152		(133)
Balance at June 30, 2004	\$ 637	\$ 1,141	\$ 20,272	\$ 26,312	\$ (2,374)	\$ 45,988
Balance at December 31, 2004	\$ 568	\$ 1,140	\$ 23,949	\$ 32,312	\$ —	\$ 57,969
Net income				4,562		4,562
Protected borrower equity retired	(66)					(66)
Capital stock/participation certificates issued		70				70
Capital stock/participation certificates retired		(77)				(77)
Retained earnings retired			(3,781)			(3,781)
Distribution adjustment			(166)	(94)		(260)
Balance at June 30, 2005	\$ 502	\$ 1,133	\$ 20,002	\$ 36,780	\$ —	\$ 58,417

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

Southwest Georgia Farm Credit, ACA

Notes to the Consolidated Financial Statements

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Southwest Georgia Farm Credit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2004, are contained in the 2004 Annual Report to Shareholders. These unaudited second quarter 2005 consolidated financial statements should be read in conjunction with the 2004 Annual Report to Shareholders.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles. The results for the six months ended June 30, 2005, are not necessarily indicative of the results to be expected for the year ending December 31, 2005.

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

The Association maintains an allowance for loan losses in accordance with generally accepted accounting principles. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of June 30, 2005, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

Balance at 12-31-03	\$ 7,587
(Reversal of) provision for loan losses	—
Recoveries, net of loans charged off	1
Balance at 6-30-04	\$ 7,588
Balance at 12-31-04	\$ 843
(Reversal of) provision for loan losses	1
Recoveries, net of loans charged off	—
Balance at 6-30-05	\$ 844

As discussed in the 2004 Annual Report, the Association recorded a loan loss reversal of \$6,701 in the fourth quarter of 2004 that resulted in a decrease in the allowance for loan losses.

NOTE 3 – EMPLOYEE BENEFIT PLANS

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

The following is a table of retirement and postretirement benefit expense for the six months ended June 30, 2005:

	For the six months ended June 30,	
	2005	2004
Pension	\$ 195	\$ 221
Thrift/deferred compensation	38	37
Other postretirement benefits	110	149
Total	\$ 343	\$ 407

As of June 30, 2005, no contributions have been made to the pension plan for 2005. Actuarial projections as of the last plan measurement date (September 30, 2004) did not anticipate any contributions for 2005; however, market conditions could impact discount rates and return on plan assets which could change this expectation, making contributions necessary before the next plan measurement date.