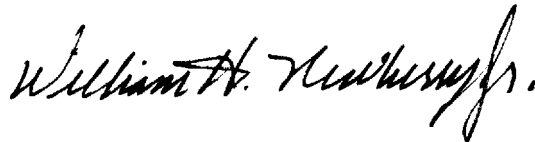
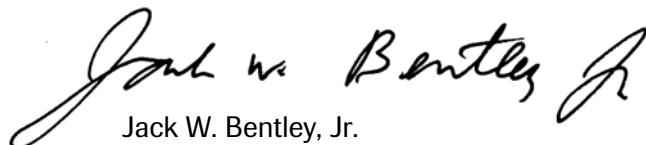


# FIRST QUARTER 2004

Management's Discussion and Analysis of	
Financial Condition and Results of Operations.....	2
Financial Statements	
Balance Sheets.....	4
Statements of Income .....	5
Statements of Changes in Members' Equity.....	6
Notes to the Financial Statements .....	7



William H. Newberry, Jr.  
Chief Executive Officer



Jack W. Bentley, Jr.  
Chairman of the Board

April 29, 2004

# 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 AgGeorgia Farm Credit, ACA (Association) for the period ended March 31, 2004. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2003 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 including poultry, cotton, timber, peanuts and livestock. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2004, was \$746,318, an increase of \$18,141 as compared to \$728,177 at December 31, 2003. Net loans outstanding at March 31, 2004, were \$725,062 as compared to \$706,961 at December 31, 2003. Net loans accounted for 96.74 percent of total assets at March 31, 2004, as compared to 95.88 percent of total assets at December 31, 2003. The increase in gross and net loan volume during the reporting period is attributed primarily to operating loans, which were drawn on during March in preparation for planting.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory. Nonaccrual loans increased from \$20,263 at December 31, 2003, to

\$20,277 at March 31, 2004. This increase is primarily the result of transfers of loan volume to nonaccrual being more than regular payments made on nonaccrual loans, along with nonaccrual loans liquidated or reinstated to accrual status.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2004, was \$21,256 compared to \$21,216 at December 31, 2003, and was considered by management to be adequate to cover possible losses.

In June, 2003, the American Institute of Certified Public Accountants' Accounting Standards Executive Committee (AcSEC) issued a proposed Statement of Position (SOP) – Allowance for Credit Losses, which was intended to clarify the methodology for estimating the allowance for credit losses and to enhance financial statement disclosures related to the allowance for credit losses. In January 2004, AcSEC abandoned its proposed SOP and announced that it would focus instead on improving financial statement disclosures regarding the allowance for loan losses.

We plan to conduct a study to further refine our methodology for calculating the allowance for loan losses taking into account generally accepted accounting principles, and applicable Farm Credit Administration requirements, as well as the Securities and Exchange Commission and Federal Financial Institutions Examination Council guidelines. The study is likely to be completed by the fourth quarter of 2004 with any appropriate reduction to the allowance for loan losses implemented at that time, which reduction may be significant.

---

## RESULTS OF OPERATIONS

### *For the three months ended March 31, 2004*

Net income for the three months ended March 31, 2004, totaled \$3,679, as compared to \$3,018 for the same period in 2003. Net interest income increased \$557 for the three months ended March 31, 2004, as compared to the same period in 2003.

At March 31, 2004, interest income on accruing loans decreased \$38 compared to March 31, 2003. Interest expense decreased \$405 for the three months ended March 31, 2004, as compared to the comparable period of 2003. Nonaccrual income was \$472 for the three months ended March 31, 2004, as compared to \$282 for the same period in 2003. The increase in nonaccrual income results primarily from a higher level of nonaccrual loan liquidation activity in the first quarter of 2004 as compared to the same period in 2003.

Noninterest income for the three months ended March 31, 2004, totaled \$1,678, as compared to \$1,402 for the same period of 2003, an increase of \$276. Noninterest expense for the three months ended March 31, 2004, increased \$236 compared to the same period of 2003. The primary areas of increase in noninterest expense are salaries and employee benefit costs.

## FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2004, was \$612,128 as compared to \$596,800 at December 31, 2003. The increase during the period corresponds to the increase in gross and net loan volume, discussed above.

## CAPITAL RESOURCES

Total members' equity at March 31, 2004, increased to \$117,022 from the December 31, 2003, total of \$113,277. The increase is primarily attributed to the accumulation of year-to-date net income, and no distributions of capital during the quarter.

Total capital stock and participation certificates were \$4,728 on March 31, 2004, compared to \$4,859 on December 31, 2003. This decrease is attributed to the retirement of protected stock and participation certificates on loans liquidated in the normal course of business, and the normal liquidation of at-risk stock and participation certificates retired in accordance with the Capitalization Plan.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2004, the Association's total surplus ratio and core surplus ratio were 15.62 percent and 11.36 percent, respectively, and the permanent capital ratio was 16.16 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

# Ag Georgia Farm Credit, ACA

## Balance Sheets

<i>(dollars in thousands)</i>	<b>March 31, 2004</b>	<b>December 31, 2003</b>
	<i>(unaudited)</i>	
<b>Assets</b>		
Cash	\$ 86	\$ 2,176
Loans	746,318	728,177
Less: allowance for loan losses	21,256	21,216
Net loans	725,062	706,961
Accrued interest receivable	8,127	8,249
Investment in other Farm Credit institutions	9,478	9,445
Premises and equipment, net	4,602	4,511
Other property owned	—	7
Other assets	2,147	5,963
Total assets	\$ 749,502	\$ 737,312
 <b>Liabilities</b>		
Notes payable to AgFirst Farm Credit Bank	\$ 612,128	\$ 596,800
Accrued interest payable	1,950	1,965
Patronage refund payable	554	5,277
Postretirement benefits other than pensions	4,795	4,572
Minimum pension liability	4,184	3,851
Other liabilities	8,869	11,570
Total liabilities	632,480	624,035
Commitments and contingencies		
<b>Members' Equity</b>		
Protected borrower equity	934	1,097
Capital stock and participation certificates	3,794	3,762
Retained earnings		
Allocated	80,947	81,420
Unallocated	38,759	34,410
Accumulated other comprehensive income (loss)	(7,412)	(7,412)
Total members' equity	117,022	113,277
Total liabilities and members' equity	\$ 749,502	\$ 737,312

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

*Ag Georgia Farm Credit, ACA*  
**Statements of Income**  
*(unaudited)*

<i>(dollars in thousands)</i>	<b>For the three months ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Interest Income</b>		
Loans	\$ 11,315	\$ 11,163
<b>Interest Expense</b>		
Notes payable to AgFirst Farm Credit Bank	5,739	6,144
Net interest income	5,576	5,019
Provision for (reversal of) loan losses	-	100
Net interest income after provision for (reversal of) loan losses	5,576	4,919
<b>Noninterest Income</b>		
Loan fees	360	326
Fees for financially related services	24	18
Equity in earnings of other Farm Credit institutions	1,209	1,062
Gains (losses) on other property owned, net	1	2
Other noninterest income	84	(6)
Total noninterest income	1,678	1,402
<b>Noninterest Expense</b>		
Salaries and employee benefits	2,454	2,213
Occupancy and equipment	234	240
Insurance Fund premium	187	204
Other operating expenses	629	611
Total noninterest expense	3,504	3,268
Income before income taxes	3,750	3,053
Provision (benefit) for income taxes	71	35
Net income	\$ 3,679	\$ 3,018

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

*Ag Georgia Farm Credit, ACA*  
**Statements of Changes in  
Members' Equity**

*(unaudited)*

	Protected Borrower Capital	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
			Allocated	Unallocated		
<i>(dollars in thousands)</i>						
Balance at December 31, 2002	\$ 1,477	\$ 3,773	\$ 85,918	\$ 37,736	\$ (8,028)	\$ 120,876
Net income				3,018		3,018
Protected borrower equity retired	(276)					(276)
Capital stock/participation certificates issued		77				77
Capital stock/participation certificates retired		(82)				(82)
Retained earnings retired			(3,811)			(3,811)
Distribution adjustment			773	(1,082)		(309)
Balance at March 31, 2003	\$ 1,201	\$ 3,768	\$ 82,880	\$ 39,672	\$ (8,028)	\$ 119,493
Balance at December 31, 2003	\$ 1,097	\$ 3,762	\$ 81,420	\$ 34,410	\$ (7,412)	\$ 113,277
Net income				3,679		3,679
Protected borrower equity retired	(163)					(163)
Capital stock/participation certificates issued		101				101
Capital stock/participation certificates retired		(69)				(69)
Distribution adjustment			(473)	670		197
Balance at March 31, 2004	\$ 934	\$ 3,794	\$ 80,947	\$ 38,759	\$ (7,412)	\$ 117,022

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

# Notes to the Financial Statements

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

## NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of AgGeorgia 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, 2003, are contained in the 2003 Annual Report to Stockholders. These unaudited first quarter 2004 financial statements should be read in conjunction with the 2003 Annual Report to Stockholders.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles. The results for the three months ended March 31, 2004, are not necessarily indicative of the results to be expected for the year ending December 31, 2004.

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

The Association maintains an allowance for loan losses in accordance with generally accepted accounting principles. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2004, 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 12-31-02	\$ 20,828
(Reversal of) provision for loan losses	100
Recoveries, net of loans charged off	<u>16</u>
Balance at 3-31-03	<u>\$ 20,944</u>
Balance at 12-31-03	\$ 21,216
(Reversal of) provision for loan losses	–
Recoveries, net of loans charged off	<u>40</u>
Balance at 3-31-04	<u>\$ 21,256</u>

## NOTE 3 – EMPLOYEE BENEFIT PLANS

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

The following is a table of retirement and postretirement benefit expense for the three months ended March 31, 2004:

	<b>For the three months</b>	
	<b>Ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
Pension	\$ 324	\$ 269
Thrift/deferred compensation	53	41
Other postretirement benefits	<u>317</u>	<u>310</u>
Total	<u>\$ 694</u>	<u>\$ 620</u>