

FIRST QUARTER 2006

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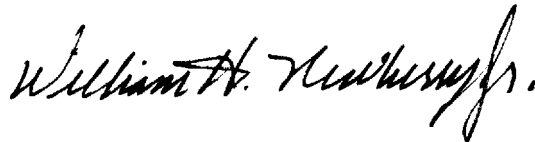
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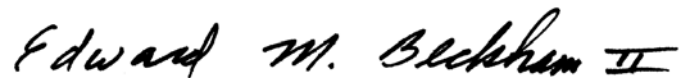
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William H. Newberry, Jr.
Chief Executive Officer



Edward M. Beckham, II
Chairman of the Board

April 28, 2006

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 or AgGeorgia) for the period ended March 31, 2006. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2005 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, 2006, was \$912,498, an increase of \$34,270 as compared to \$878,228 at December 31, 2005. Net loans outstanding at March 31, 2006, were \$900,079 as compared to \$866,269 at December 31, 2005. Net loans accounted for 96.67 percent of total assets at March 31, 2006, as compared to 93.69 percent of total assets at December 31, 2005. The increase in gross and net loan volume during the reporting period is partly attributable to operating loans for row crop operations, which were drawn on primarily 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 \$20,766 at December 31, 2005, to \$21,363 at March 31, 2006. 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, 2006, was \$12,419 compared to \$11,959 at December 31, 2005, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2006

Net income for the three months ended March 31, 2006, totaled \$5,609 as compared to \$4,758 for the same period in 2005. Net interest income increased \$1,688 for the three months ended March 31, 2006, as compared to the same period in 2005. Improving interest margins on loans and higher loan volume are the primary reasons for this increase in net interest income. The Association recorded a loan loss provision of \$460 for the three months ended March 31, 2006, as compared to (\$214) for the same period in 2005.

Non-interest income for the three months ended March 31, 2006, totaled \$2,122, as compared to \$1,942 for the same period of 2005, an increase of \$180. Non-interest expense for the three months ended March 31, 2006, increased \$335 compared to the same period of 2005. The primary area of increase in non-interest expense is the premium paid to the Farm Credit System Insurance Corporation.

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, 2006, was \$774,605 as compared to \$755,584 at December 31, 2005.

CAPITAL RESOURCES

Total members' equity at March 31, 2006, increased to \$150,032 from the December 31, 2005, total of \$145,170. The increase is primarily attributed to the retained earnings accumulated being less than the retirement of stock.

Total capital stock and participation certificates were \$4,147 on March 31, 2006, compared to \$4,649 on December 31, 2005. This decrease is attributed to the retirement of stock and participation certificates on loans liquidated in the normal course of business.

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, 2006, the Association's total surplus ratio and core surplus ratio were 15.25 percent and 10.61 percent, respectively, and the permanent capital ratio was 15.68 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 770-536-3660, writing Chris Scott, Chief Financial Officer, AgGeorgia Farm Credit, ACA, P.O. Box 2536, Gainesville GA 30503, or accessing the website, www.aggeorgia.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.

Ag Georgia Farm Credit, ACA
Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2006 <i>(unaudited)</i>	December 31, 2005 <i>(audited)</i>
Assets		
Cash	\$ 1,131	\$ 8,256
Loans	912,498	878,228
Less: allowance for loan losses	12,419	11,959
Net loans	900,079	866,269
Accrued interest receivable	14,110	14,353
Investment in other Farm Credit institutions	10,216	10,185
Premises and equipment, net	4,923	5,066
Other property owned	1,218	1,218
Prepaid retirement expense	9,449	9,733
Due from AgFirst Farm Credit Bank	17	8,330
Other assets	2,788	1,243
Total assets	<u>\$ 943,931</u>	<u>\$ 924,653</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 774,605	\$ 755,584
Accrued interest payable	3,377	3,243
Patronage refund payable	270	4,767
Postretirement benefits other than pensions	6,432	6,323
Other liabilities	9,215	9,566
Total liabilities	<u>793,899</u>	<u>779,483</u>
Commitments and contingencies		
Members' Equity		
Protected borrower equity	510	644
Capital stock and participation certificates	3,637	4,005
Retained earnings		
Allocated	84,086	83,529
Unallocated	61,799	56,992
Total members' equity	<u>150,032</u>	<u>145,170</u>
Total liabilities and members' equity	<u>\$ 943,931</u>	<u>\$ 924,653</u>

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

Ag Georgia Farm Credit, ACA
Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended March 31,	
	2006	2005
Interest Income		
Loans	\$ 17,632	\$ 13,256
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	9,648	6,960
Net interest income	7,984	6,296
Provision for (reversal of allowance for) loan losses	460	(214)
Net interest income after provision for (reversal of allowance for) loan losses	7,524	6,510
Noninterest Income		
Loan fees	421	420
Fees for financially related services	34	63
Equity in earnings of other Farm Credit institutions	1,566	1,362
Gains (losses) on other property owned, net	4	—
Other noninterest income	97	97
Total noninterest income	2,122	1,942
Noninterest Expense		
Salaries and employee benefits	2,651	2,655
Occupancy and equipment	273	265
Insurance Fund premium	324	82
Other operating expenses	776	687
Total noninterest expense	4,024	3,689
Income before income taxes	5,622	4,763
Provision (benefit) for income taxes	13	5
Net income	\$ 5,609	\$ 4,758

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

Ag 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		Total Members' Equity
			Allocated	Unallocated	
Balance at December 31, 2004	\$ 840	\$ 3,882	\$ 81,438	\$ 48,466	\$ 134,626
Net income				4,758	4,758
Protected borrower equity retired	(149)				(149)
Capital stock/participation certificates issued		118			118
Capital stock/participation certificates retired		(69)			(69)
Distribution adjustment			(99)	135	36
Balance at March 31, 2005	\$ 691	\$ 3,931	\$ 81,339	\$ 53,359	\$ 139,320
Balance at December 31, 2005	\$ 644	\$ 4,005	\$ 83,529	\$ 56,992	\$ 145,170
Net income				5,609	5,609
Protected borrower equity retired	(134)				(134)
Capital stock/participation certificates issued		96			96
Capital stock/participation certificates retired		(464)			(464)
Distribution adjustment			557	(802)	(245)
Balance at March 31, 2006	\$ 510	\$ 3,637	\$ 84,086	\$ 61,799	\$ 150,032

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

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 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, 2005, are contained in the 2005 Annual Report to Shareholders. These unaudited first quarter 2006 consolidated financial statements should be read in conjunction with the 2005 Annual Report to Shareholders.

As disclosed in the 2005 Annual report, pursuant to a plan of restructuring approved by the Farm Credit Administration and Association shareholders, the Association reorganized its existing organizational structure effective January 1, 2005. Pursuant to this restructuring, a Federal Land Credit Association (FLCA) and a Production Credit Association (PCA) were formed as wholly owned subsidiaries of the Association. The formation of these subsidiaries enables the Association to take advantage of the tax-exempt status of net income from long-term mortgage operations of the FLCA. This restructuring was accounted for as a reorganization of entities under common control similar to a pooling of interests.

Prior to the restructuring, the Association was subject to federal and state income tax. As a result of the restructuring, long-term lending activity was separated into a wholly owned FLCA subsidiary, which is exempt from federal and state income tax. The ACA, which is the holding company, along with the wholly owned PCA subsidiary, will continue to be subject to income tax.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles. The results for the three months ended March 31, 2006, are not necessarily indicative of the results to be expected for the year ending December 31, 2006.

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 March 31, 2006, 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 12-31-04	\$ 12,314
(Reversal of) provision for loan losses	(214)
Recoveries, net of loans charged off	<u>2</u>
Balance at 3-31-05	<u>\$ 12,102</u>
Balance at 12-31-05	\$ 11,959
(Reversal of) provision for loan losses	460
Recoveries, net of loans charged off	<u>—</u>
Balance at 3-31-06	<u>\$ 12,419</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, 2006:

	For the three months ended March 31,	
	2006	2005
Pension	\$ 289	\$ 288
Thrift/deferred compensation	54	53
Other postretirement benefits	<u>181</u>	<u>281</u>
Total	<u>\$ 524</u>	<u>\$ 622</u>

As of March 31, 2006, no contributions have been made to the pension plan for 2006. Actuarial projections as of the last plan measurement date (September 30, 2005) did not anticipate any contributions for 2006; however, market conditions could impact discount rates and return on plan assets which could change this expectation, making contributions necessary before the next plan measurement date.

The Association also sponsors a supplemental retirement plan for certain key employees. The expenses of this plan are included in the pension costs above. The Association contributed \$8 to this plan during the first three months of 2006. The Association anticipates making additional contributions of \$23 to the supplemental retirement plan during the remainder of 2006.