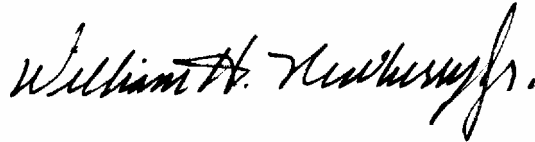
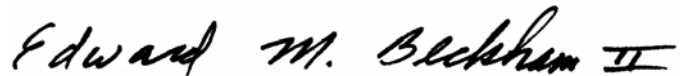


THIRD QUARTER 2006

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William H. Newberry, Jr.
Chief Executive Officer



Edward M. Beckham, II
Chairman of the Board

November 2, 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 September 30, 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. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

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 September 30, 2006, was \$990,504, an increase of \$112,276 as compared to \$878,228 at December 31, 2005. Net loans outstanding at September 30, 2006, were \$983,499 as compared to \$866,269 at December 31, 2005. Net loans accounted for 94.92 percent of total assets at September 30, 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, and term financing for new poultry facilities.

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 decreased from \$20,766 at December 31, 2005, to \$5,721 at September 30, 2006. This decrease is primarily the result of transfers of loan volume to nonaccrual being less 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

September 30, 2006, was \$7,005 compared to \$11,959 at December 31, 2005, and was considered by management to be adequate to cover probable losses. The significant decrease in the allowance for loss account corresponds to the significant decrease in nonaccrual loans and was primarily caused by the elimination of a sizable specific reserve on a loan that liquidated during the period.

RESULTS OF OPERATIONS

For the three months ended September 30, 2006

Net income for the three months ended September 30, 2006, totaled \$8,376 as compared to \$5,911 for the same period in 2005. Net interest income increased \$3,134 for the three months ended September 30, 2006, as compared to the same period in 2005. Higher interest recognition on nonaccrual loans and higher loan volume are the primary reasons for this increase in net interest income. The Association recorded a loan loss provision/(reversal) of 349 for the three months ended September 30, 2006, as compared to (\$176) for the same period in 2005.

Non-interest income for the three months ended September 30, 2006, totaled \$2,116, as compared to \$1,959 for the same period of 2005, an increase of \$157. Non-interest expense for the three months ended September 30, 2006, increased \$301 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.

For the nine months ended September 30, 2006

Net income for the nine months ended September 30, 2006, totaled \$25,325, as compared to \$15,570 for the same period in 2005. At September 30, 2006, net interest income increased by \$6,470 or 31.04 percent compared to September 30, 2005. Interest income on loans increased by \$15,315, and interest expense increased by \$8,845. This change in net interest income is the result of increased interest margins, increased income recognition on nonaccrual loans and higher loan volume.

Nonaccrual income was \$3,476 for the nine months ended September 30, 2006, as compared to \$1,332 for the same period in 2005. The Association recorded a provision/(reversal) for loan loss of (\$4,731) for the nine months ended September 30, 2006, as compared to (\$98) for the same period in 2005. This significant source of income was primarily caused by the elimination of a sizable specific reserve on a loan that liquidated during the period.

Noninterest income for the nine months ended September 30, 2006, totaled \$5,483, as compared to \$5,814 for the same period of 2005, a decrease of \$331. This decrease was primarily attributable to a recorded loss on the sale of other property owned by the Association. Noninterest expense for the nine months ended September 30, 2006, increased \$1,044 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 September 30, 2006, was \$877,932 as compared to \$779,483 at December 31, 2005.

CAPITAL RESOURCES

Total members' equity at September 30, 2006, increased to \$158,176 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 and redemption of allocated surplus.

Total capital stock and participation certificates were \$4,157 on September 30, 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 September 30, 2006, the Association's total surplus ratio and core surplus ratio were 14.28 percent and 10.18 percent, respectively, and the permanent capital ratio was 14.66 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.

FUTURE ACCOUNTING TREATMENT

On September 29, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 – Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Standard is effective for employers with publicly traded securities for the fiscal year ending after December 15, 2006 and for employers without publicly traded securities for the fiscal year ending after June 15, 2007. The Association will be required to implement the Standard for the year ended December 31, 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year-end financial statements. Currently, the Association uses a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year-end is effective for fiscal years ending after December 15, 2008. The Association is currently evaluating the impact of implementing this Standard. It is anticipated that the impact from the implementation of this Standard will have no impact on the income statement and, based on the current funded status of the defined benefit plans, it is not expected to have a material or significant impact on the balance sheet.

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 316, or writing Wanda Martin, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 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>	September 30, 2006 <i>(unaudited)</i>	December 31, 2005 <i>(audited)</i>
Assets		
Cash	\$ 1,139	\$ 8,256
Loans	990,504	878,228
Less: allowance for loan losses	7,005	11,959
Net loans	983,499	866,269
Accrued interest receivable	21,346	14,353
Investment in other Farm Credit institutions	10,276	10,185
Premises and equipment, net	4,895	5,066
Other property owned	116	1,218
Prepaid retirement expense	8,887	9,733
Due from AgFirst Farm Credit Bank	4,768	8,330
Other assets	1,182	1,243
Total assets	<u>\$ 1,036,108</u>	<u>\$ 924,653</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 861,598	\$ 755,584
Accrued interest payable	4,024	3,243
Patronage refund payable	134	4,767
Postretirement benefits other than pensions	6,632	6,323
Other liabilities	5,544	9,566
Total liabilities	<u>877,932</u>	<u>779,483</u>
Commitments and contingencies		
Members' Equity		
Protected borrower equity	490	644
Capital stock and participation certificates	3,667	4,005
Retained earnings		
Allocated	72,504	83,529
Unallocated	81,515	56,992
Total members' equity	<u>158,176</u>	<u>145,170</u>
Total liabilities and members' equity	<u>\$ 1,036,108</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 September 30,		For the nine months ended September 30,	
	2006	2005	2006	2005
Interest Income				
Loans	\$ 22,728	\$ 16,530	\$ 59,815	\$ 44,500
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	12,031	8,967	32,504	23,659
Net interest income	10,697	7,563	27,311	20,841
Provision for (reversal of) loan losses	349	(176)	(4,731)	(98)
Net interest income after provision for (reversal of) loan losses	10,348	7,739	32,042	20,939
Noninterest Income				
Loan fees	304	237	1,045	1,050
Fees for financially related services	54	53	110	138
Equity in earnings of other Farm Credit institutions	1,736	1,654	4,909	4,512
Gains (losses) on other property owned, net	—	—	(705)	1
Other noninterest income	22	15	124	113
Total noninterest income	2,116	1,959	5,483	5,814
Noninterest Expense				
Salaries and employee benefits	2,621	2,635	7,967	7,980
Occupancy and equipment	278	270	808	791
Insurance Fund premium	357	155	1,022	325
Other operating expenses	831	726	2,377	2,034
Total noninterest expense	4,087	3,786	12,174	11,130
Income before income taxes	8,377	5,912	25,351	15,623
Provision (benefit) for income taxes	1	1	26	53
Net income	\$ 8,376	\$ 5,911	\$ 25,325	\$ 15,570

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				15,570	15,570
Protected borrower equity retired	(180)				(180)
Capital stock/participation certificates issued		326			326
Capital stock/participation certificates retired		(219)			(219)
Retained earnings retired			(8,770)		(8,770)
Distribution adjustment			(99)	135	36
Balance at September 30, 2005	\$ 660	\$ 3,989	\$ 72,569	\$ 64,171	\$ 141,389
Balance at December 31, 2005	\$ 644	\$ 4,005	\$ 83,529	\$ 56,992	\$ 145,170
Net income				25,325	25,325
Protected borrower equity retired	(154)				(154)
Capital stock/participation certificates issued		298			298
Capital stock/participation certificates retired		(636)			(636)
Retained earnings retired			(11,596)		(11,596)
Distribution adjustment			571	(802)	(231)
Balance at September 30, 2006	\$ 490	\$ 3,667	\$ 72,504	\$ 81,515	\$ 158,176

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 third 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.

On September 29, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 – Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans. The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Standard is effective for employers with publicly traded securities for the fiscal year ending after December 15, 2006 and for employers without publicly traded securities for the fiscal year ending after June 15, 2007. The Association will be required to implement the Standard for the year ended December 31, 2007. In addition, this Standard requires that

the funded status of a plan be measured as of the date of the year-end financial statements. Currently, the Association uses a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year-end is effective for fiscal years ending after December 15, 2008. The Association is currently evaluating the impact of implementing this Standard. It is anticipated that the impact from the implementation of this Standard will have no impact on the consolidated income statement and, based on the current funded status of the defined benefit plans, it is not expected to have a material or significant impact on the consolidated balance sheet.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles. The results for the nine months ended September 30, 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 September 30, 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:

	For the nine months ended September 30, 2006		2005
Balance at beginning of period	\$ 11,959		\$ 12,314
Provision for (reversal of) loan losses	(4,731)		(98)
Loans (charged off), net of recoveries	(223)		20
Balance at end of period	<u>\$ 7,005</u>		<u>\$ 12,236</u>

The significant reversal to the allowance for loss account during the period was primarily caused by the elimination of a specific reserve on a nonaccrual loan that was liquidated.

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 nine months ended September 30, 2006:

	For the nine months ended September 30,	
	2006	2005
Pension	\$ 860	\$ 865
Thrift/deferred compensation	151	142
Other postretirement benefits	543	844
Total	<u>\$ 1,554</u>	<u>\$1,851</u>

As of September 30, 2006, no contributions have been made to the pension plan for 2006. The Association does not anticipate making additional contributions for the remainder of 2006.

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 \$23 to this plan during the first nine months of 2006. The Association anticipates making additional contributions of \$8 to the supplemental retirement plan during the remainder of 2006.