

THIRD QUARTER 2007

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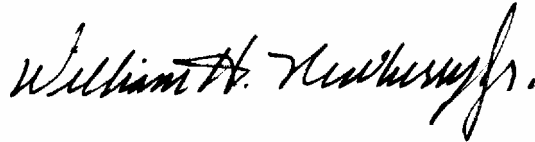
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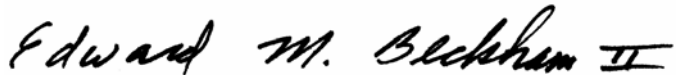
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William H. Newberry, Jr.
Chief Executive Officer



Edward M. Beckham, II
Chairman of the Board

November 6, 2007

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, 2007. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2006 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 September 30, 2007, was \$976,928, a decrease of \$3,055 as compared to \$979,983 at December 31, 2006. Net loans outstanding at September 30, 2007, were \$969,484 as compared to \$972,338 at December 31, 2006. Net loans accounted for 92.76 percent of total assets at September 30, 2007, as compared to 93.59 percent of total assets at December 31, 2006. The decrease in loan volume is attributable to AgGeorgia selling loans into the AgFirst capital participation pool. Approximately \$93 million in loan volume was sold in an income neutral transaction to effectively manage capital.

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 \$10,847 at December 31, 2006, to \$3,261 at September 30, 2007. This decrease is primarily the result of a large loan being removed from nonaccrual status and moved into other property owned.

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, 2007, was \$7,444 compared to \$7,645 at December 31, 2006, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended September 30, 2007

Net income for the three months ended September 30, 2007, totaled \$7,413 as compared to \$8,376 for the same period in 2006. This decrease is due to a decrease in interest rates compared to this period last year. Net interest income decreased \$1,541 for the three months ended September 30, 2007, as compared to the same period in 2006. The Association recorded a loan loss provision/(reversal) of \$9 for the three months ended September 30, 2006, as compared to \$349 for the same period in 2006.

Non-interest income for the three months ended September 30, 2007, totaled \$2,247, as compared to \$1,954 for the same period of 2006, an increase of \$293. Non-interest expense for the three months ended September 30, 2007, decreased \$625 compared to the same period of 2006.

For the nine months ended September 30, 2007

Net income for the nine months ended September 30, 2007, totaled \$22,098 as compared to \$25,325 for the same period in 2006. Net interest income increased \$245 for the nine months ended September 30, 2007, as compared to the same period in 2006. The Association recorded a loan loss provision/(reversal) of (\$256) for the nine months ended September 30, 2006, as compared to (\$4,731) for the same period in 2006.

Non-interest income for the nine months ended September 30, 2007, totaled \$7,049, as compared to \$6,188 for the same period of 2006, an increase of \$861. Non-interest expense for the nine months ended September 30, 2007, decreased \$117 compared to the same period of 2006.

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, 2007, was \$857,491 as compared to \$851,538 at December 31, 2006.

CAPITAL RESOURCES

Total members' equity at September 30, 2007, increased to \$165,915 from the December 31, 2006, total of \$158,288. AgGeorgia Farm Credit revolved one hundred percent of the December 2000 qualified surplus series as of June 30, 2007.

Total capital stock and participation certificates were \$3,771 on September 30, 2007, compared to \$3,693 on December 31, 2006. This increase is attributed to the issuance of stock on new loans being greater than the retirement of stock 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, 2007, the Association's total surplus ratio and core surplus ratio were 14.01 percent and 10.18 percent, respectively, and the permanent capital ratio was 14.40 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 over funded or under funded 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 September 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 478-272-4306, writing Carrie McCall, Chief Financial Officer, AgGeorgia Farm Credit, ACA, P.O. Box 1548, Dublin, GA 31040, 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, 2007	December 31, 2006
	<i>(unaudited)</i>	<i>(audited)</i>
Assets		
Cash	\$ 3,659	\$ 10,100
Loans	976,928	979,983
Less: allowance for loan losses	7,444	7,645
Net loans	969,484	972,338
Accrued interest receivable	23,252	19,403
Investment in other Farm Credit institutions	21,831	14,434
Premises and equipment, net	5,981	4,943
Other property owned	6,072	85
Prepaid retirement expense	7,929	8,605
Due from AgFirst Farm Credit Bank	5,403	7,724
Other assets	1,586	1,317
Total assets	<u>\$ 1,045,197</u>	<u>\$ 1,038,949</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 857,491	\$ 851,538
Accrued interest payable	4,233	4,104
Patronage refund payable	203	6,837
Postretirement benefits other than pensions	7,033	6,747
Other liabilities	10,322	11,435
Total liabilities	<u>879,282</u>	<u>880,661</u>
Commitments and contingencies		
Members' Equity		
Protected borrower equity	372	482
Capital stock and participation certificates	3,771	3,693
Retained earnings		
Allocated	73,396	88,186
Unallocated	88,376	65,927
Total members' equity	<u>165,915</u>	<u>158,288</u>
Total liabilities and members' equity	<u>\$ 1,045,197</u>	<u>\$ 1,038,949</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,	
	2007	2006	2007	2006
Interest Income				
Loans	\$ 21,753	\$ 22,728	\$ 64,894	\$ 59,815
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	12,597	12,031	37,338	32,504
Net interest income	9,156	10,697	27,556	27,311
Provision for (reversal of allowance for) loan losses	9	349	(256)	(4,731)
Net interest income after provision for (reversal of allowance for) loan losses	9,147	10,348	27,812	32,042
Noninterest Income				
Loan fees	363	304	1,110	1,045
Fees for financially related services	30	54	72	110
Equity in earnings of other Farm Credit institutions	2,175	1,736	5,638	4,909
Other noninterest income	3	22	229	124
Total noninterest income	2,571	2,116	7,049	6,188
Noninterest Expense				
Salaries and employee benefits	2,631	2,621	8,052	7,967
Occupancy and equipment	305	278	873	808
Insurance Fund premium	351	357	1,078	1,022
Other operating expenses	1,002	831	2,736	2,377
Losses on other property owned, net	17	—	23	705
Total noninterest expense	4,306	4,087	12,762	12,879
Income before income taxes	7,412	8,377	22,099	25,351
Provision (benefit) for income taxes	(1)	1	1	26
Net income	\$ 7,413	\$ 8,376	\$ 22,098	\$ 25,325

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, 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
Balance at December 31, 2006	\$ 482	\$ 3,693	\$ 88,186	\$ 65,927	\$ 158,288
Net income				22,098	22,098
Protected borrower equity retired	(110)				(110)
Capital stock/participation certificates issued		296			296
Capital stock/participation certificates retired		(221)			(221)
Stock dividends declared/paid		3		(3)	—
Retained earnings retired			(14,541)		(14,541)
Distribution adjustment			(249)	354	105
Balance at September 30, 2007	\$ 372	\$ 3,771	\$ 73,396	\$ 88,376	\$ 165,915

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, 2006, are contained in the 2006 Annual Report to Shareholders. These unaudited third quarter 2007 consolidated financial statements should be read in conjunction with the 2006 Annual Report to Shareholders.

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, 2007, are not necessarily indicative of the results to be expected for the year ending December 31, 2007.

Certain amounts in prior period consolidated financial statements may 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, 2007, 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,	
	2007	2006
Balance at beginning of period	\$ 7,645	\$11,959
Provision for (reversal of) loan losses	(256)	(4,731)
Loans (charged off), net of recoveries	55	(223)
Balance at end of period	<u>\$ 7,444</u>	<u>\$ 7,005</u>

NOTE 3 – COMMITMENTS AND CONTINGENT LIABILITIES

Derivative action is pending against the Association, certain unnamed employees, officers, and the board of directors, along with an additional third-party defendant in the Superior Court of Hall County, Georgia, seeking injunctive relief and attorney fees. Matter was filed on October 11, 2006, by an Association stockholder who has alleged that the Association improperly disposed of property acquired through foreclosure. Plaintiff is claiming that the actions of the Association resulted in a breach of fiduciary duty and a waste of corporate assets based on the assertion that he would have paid a higher price for the property. Action seeks to set aside the prior sale.

NOTE 4 – 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,	
	2007	2006
Pension	\$ 690	\$ 860
Thrift/deferred compensation	161	151
Other postretirement benefits	543	543
Total	<u>\$ 1,394</u>	<u>\$ 1,554</u>

As of September 30, 2007, no contributions have been made to the pension plan for 2007. The Association does not anticipate making additional contributions for the remainder of 2007.

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 2007. The Association anticipates making additional contributions of \$8 to the supplemental retirement plan during the remainder of 2007.