
Southwest Georgia Farm Credit, ACA

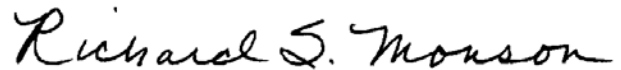
FIRST QUARTER 2009

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2009 quarterly report of Southwest Georgia Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Richard S. Monson
President/CEO



Belinda Robertson
Chief Financial Officer



Bobby J. Brooks
Chairman of the Board

April 30, 2009

Southwest Georgia Farm Credit, ACA

Report on Internal Control Over Financial Reporting

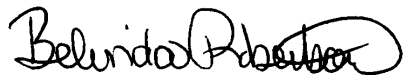
The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2009. In making the assessment, management used the framework in *Internal Control—Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of March 31, 2009 the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2009.



Richard S. Monson
Chief Executive Officer



Belinda Robertson
Chief Financial Officer

April 30, 2009

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 March 31, 2009. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2008 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 in our region, including timber, landlords, poultry, cotton, livestock, peanuts, fruit and nut, vegetables and dairy. 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, reduces the level of dependency on a given commodity.

Investment securities classed as held to maturity as of March 31, 2009 were \$ 37,863, a decrease of \$1,844 as compared to \$39,707 at December 31, 2008. The gross loan volume of the Association as of March 31, 2009, was \$370,503, a decrease of \$3,251 as compared to \$373,754 at December 31, 2008. Net loans outstanding at March 31, 2009, were \$367,772 as compared to \$370,395 at December 31, 2008. The Association entered into commitments to acquire Successor-in-Interest Contracts (SIIC) in the fourth quarter of 2005. As of March 31, 2009, the Association had \$56,975 in other investments for SIIC, a decrease of \$12,342 compared to \$69,317 at December 31, 2008. The large annual payment received in January brought about this decrease.

Total assets at March 31, 2009 were \$492,251, compared to \$522,456 at December 31, 2008, a decrease of \$30,205 or 5.78 percent.

Net loans and investments accounted for 93.98 percent of total assets at March 31, 2009, as compared to 91.76 percent of total assets at December 31, 2008.

The decrease in total assets was primarily attributed to reductions in loans, Successor-In-Interest Contracts (SIIC), investments and accrued patronage from AgFirst Farm Credit Bank and other Farm Credit institutions. The decrease in loans is due to seasonal run-off as operating lines are paid down. The SIIC reduction is due to the large \$12 million dollar annual payment received in January, 2009. The decrease in patronage is based on the year end declaration of

AgFirst Farm Credit Bank patronage which once declared is recognized as association equity, therefore when comparing to a previous year end balance there will normally be a negative variance in early quarters.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has deteriorated over the past year, with loans classified under the Farm Credit Administration's Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" at 87.64 percent of total loans and accrued interest as compared to 88.62 percent at December 31, 2008.

Nonaccrual loans as of March 31, 2009 were \$29,560, an increase of \$9,203 as compared to \$20,357 at December 31, 2008. The increase in nonaccrual loans included four large loans, three of which are purchased participations and one domestic loan.

The association maintains an allowance for loan losses at a level considered sufficient to absorb possible losses within the loan portfolio based on current and expected future conditions. The Association increases the allowance by providing a provision for loan losses in the income statement. Loan losses are recorded against and serve to decrease the allowance when management determines that any portion of a loan is uncollectible. Any subsequent recoveries are added to the allowance. Managements' evaluations consider factors which include, among many other things, loan loss experience, portfolio quality, loan portfolio composition, current agricultural production conditions, and general economic conditions.

The allowance for loan losses at March 31, 2009, was \$2,731 compared to \$3,359 as of December 31, 2008 a decrease of \$628. The decrease is due primarily to a charge-off associated with one participated loan.

RESULTS OF OPERATIONS

For the three months ended March 31, 2009

Net income for the three months ended March 31, 2009, totaled \$1,345, an increase of \$8,537 as compared to net income of \$ (7,192) for the same period in 2008. Prior year negative net income was due to a provision for loan losses of \$10,254. At March 31, 2009, interest income on accruing loans was \$4,877 a decrease of \$2,548 as compared to \$7,425 for the same period in 2008. Interest income on investment securities was \$184 for the three months ended March 31, 2009, a decrease of \$205 as compared to \$389 for the same period in 2008. Other interest income from SIIC's for the three months ended March 31, 2009 was \$773, a decrease of \$168, compared to \$941 for the same period in 2008. The decrease in earnings on the foregoing assets are primarily related to the reduction and divestiture of the income producing assets as the association positioned itself to strengthen capital. Lower interest rates were a secondary factor to this decrease in income as well.

Interest expense was \$4,084 a decrease of \$1,959, as compared to \$6,043 for the same period in 2008.

Noninterest income for the three months ended March 31, 2009, totaled \$1,726, a decrease of \$703 as compared to \$2,429 for the same period in 2008. The decrease is primarily attributed to less patronage accrued from AgFirst Farm Credit Bank and less loan fee income both a result of the planned reduction in loan volume. Noninterest expense for the three months ended March 31, 2009 totaled \$2,131, an increase of \$121 as compared to \$2,010 for the same period in 2008. The increase is primarily due to higher expenses associated with employee retirement benefits.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (Note 4). 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 funds are advanced by the Bank 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, 2009, was \$422,900, a decrease of \$27,840 as compared to \$450,740 at December 31, 2008. The decrease is primarily the result of reduced loan volume on the balance sheet. Please see footnote number 4 for additional information on the status of the General Financing Covenant.

CAPITAL RESOURCES

Total members' equity at March 31, 2009, increased \$1,340 to \$64,721 from the December 31, 2008, total of \$63,381. Total capital stock and participation certificates were \$1,493 as of March 31, 2009, a decrease of \$5 compared to \$1,498 at December 31, 2008.

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, 2009, the Association's total surplus ratio and core surplus ratio were 13.90 percent and 11.28 percent, respectively, and the permanent capital ratio was 14.26 percent. All three ratios were 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.

**Please refer to the 2008 Annual Report*

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 Stephen Gilbert, 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 1-229-246-0384 or 1-866-304-3276, writing Belinda H. Robertson, Chief Financial Officer, Southwest Georgia Farm Credit, ACA, 305 Colquitt HWY, Bainbridge, Georgia 39817 or accessing the website, www.swgafarmcredit.com. The Association prepares a quarterly report within 40 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

Notes to the Consolidated Financial Statements

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

NOTE 1 – ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The accompanying financial statements include the accounts of Southwest Georgia Farm Credit, ACA (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2008, are contained in the 2008 Annual Report to Shareholders. These unaudited first quarter 2009 consolidated financial statements should be read in conjunction with the 2008 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 (GAAP) and prevailing practices within the banking industry. The results for the three months ended March 31, 2009, are not necessarily indicative of the results to be expected for the year ending December 31, 2009.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period's 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 GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2009, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In addition to the recently issued accounting pronouncements discussed in the 2008 Annual Report to Shareholders, effective January 1, 2009, the Association adopted Financial Accounting Standards Board (FASB) Statement of Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The impact of adoption requires additional fair value disclosures, if applicable, but does not have an impact on the Association's financial condition or results of operations.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
	2009	2008
Balance at beginning of period	\$ 3,359	\$ 520
Provision for (reversal of) loan losses	–	10,254
Charge-offs	(649)	–
Recoveries	21	1
Balance at end of period	\$ 2,731	\$10,775

The following table presents information concerning impaired loans as of March 31,

	2009	2008
Impaired loans with related allowance	\$ 8,577	\$ 176
Impaired loans with no related allowance	21,433	5,450
Total impaired loans	\$ 30,010	\$ 5,626
 Allowance on impaired loans	 \$ 961	 \$ 12

The following table summarizes impaired loan information for the three months ended March 31,

	2009	2008
Average impaired loans	\$ 24,170	\$ 8,794
Interest income recognized on impaired loans	17	120

NOTE 3 – EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the three months ended March 31,	
	2009	2008
Pension	\$ 230	\$ 60
401(k)	34	39
Other postretirement benefits	30	30
Total	\$ 294	\$ 129

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 3/31/09	Projected Contributions For Remainder of 2009	Projected Total Contributions 2009
Pension	\$ -	\$ -	\$ -
Other postretirement benefits	19	66	85
Total	\$ 19	\$ 66	\$ 85

Actuarial calculations as of the last plan measurement date (December 31, 2008) projected no contributions to the pension plan for 2009. However, market conditions could impact discount rates and return on plan assets which could make additional contributions necessary before the next plan measurement date of December 31, 2009.

Further details regarding employee benefit plans are contained in the 2008 Annual Report to Shareholders.

NOTE 4 – NOTES PAYABLE TO AGFIRST FARM CREDIT BANK

The Association's indebtedness to the Bank represents borrowings by the Association primarily to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the terms of the revolving line of credit are governed by a General Financing Agreement (GFA). The GFA defines Association performance criteria for borrowing from the Bank, which includes a standard liquidity covenant. Prior to 2009, one Association was operating under a special credit arrangement. At March 31, 2009, that Association was in violation of its liquidity requirement as measured under its Borrowing Base Formula as defined in the GFA. The same Association also failed to meet the standard earnings covenant at March 31, 2008. In early 2009, following a review of a business plan submitted by the Association, to achieve compliance with the covenants during 2009, the Bank approved a temporary waiver of the defaults and allowed the Association to continue operating under a special credit arrangement pursuant to its GFA.

NOTE 5 – FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Association adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities primarily consist of standby letters of credit, impaired loans and other property owned.

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

SFAS No. 157 establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs and the classification of the Association's financial instruments within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Association has no Level 1 assets or liabilities at March 31, 2009.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets and liabilities measured at fair value on a recurring basis.

Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instrument whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing. Level 3 assets at March 31, 2009 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under SFAS No. 114. The fair value was based upon the underlying collateral since these were collateral-dependent loans. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current

market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Other property owned is classified as a level 3 asset at March 31, 2009. The fair value for other property owned is based upon the collateral less estimated costs to sell. Level 3 liabilities at March 31, 2009 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009 for each of the fair value hierarchy levels:

	March 31, 2009			Total Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Standby letters of credit	\$ -	\$ -	\$ 40	\$ 40
Total Liabilities	\$ -	\$ -	\$ 40	\$ 40

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis:

	Standby Letters Of Credit
Balance at January 1, 2009	\$ 40
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive loss	-
Purchases, sales, issuances and settlements, net	-
Transfers in and/or out of level 3	-
Balance at March 31, 2009	\$ 40

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis at March 31, 2009 for each of the fair value hierarchy values are summarized below:

	March 31, 2009				YTD Total Gains (Losses)
	Level 1	Level 2	Level 3	Total Fair Value	
Assets:					
Impaired loans	\$ -	\$ -	\$ 7,616	\$ 7,616	\$ -
Other property owned	\$ -	\$ -	\$ -	\$ -	\$ (293)