

FIRST QUARTER 2006

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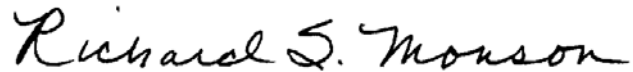
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Richard S. Monson
President/CEO



Bobby J. Brooks
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 Southwest Georgia Farm Credit ACA, (Association) for the period ended March 31, 2006. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated 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 in our region, including peanuts, cotton, vegetables, livestock, dairy, poultry, timber, pecans, landlords and rural home loans. These major farm commodity groups represent approximately \$347,767 or 75.97 percent of the loan portfolio as of March 31, 2006. 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, somewhat impacts the level of dependency on a given commodity.

The gross loan volume of the Association as of March 31, 2006, was \$468,348, an increase of \$13,024 as compared to \$455,324 at December 31, 2005. Net loans outstanding at March 31, 2006, were \$467,504 as compared to \$454,480 at December 31, 2005. Total assets at March 31, 2006 were \$562,068, compared to \$538,185 at December 31, 2005, an increase of \$23,883. The increase in total assets was primarily because of an increase of \$17,135 in other investments, which are the Successor-in-Interest Contracts (SIIC). Net loans accounted for 83.18 percent of total assets at March 31, 2006, as compared to 84.45 percent of total assets at December 31, 2005.

The increase in gross and net loan volume during the reporting period is attributed primarily to an increase in the participation portfolio. The short-term portfolio, which is heavily influenced by operating-type loans, normally reaches a peak in August and rapidly declines in the fall months as farm commodities are marketed and proceeds are applied to the operating loans.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. The Association has a portfolio management policy and plan in place to address portfolio risk and the portfolio is monitored. Nonaccrual loans decreased from \$131 at December 31, 2005, to \$114 at March 31, 2006. This was a decrease of \$17, which was attributed to payments.

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 \$844 the same as December 31, 2005. The allowance at March 31, 2006 was considered by management to be adequate to cover possible losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2006

Net income for the three months ended March 31, 2006, totaled \$2,660, as compared to \$2,169 for the same period in 2005, an increase of \$491. Net interest income increased \$454, for the three months ended March 31, 2006, as compared to the same period in 2005. At March 31, 2006, interest income on loans increased \$2,311 compared to March 31, 2005. Nonaccrual income was \$0 for the three months ended March 31, 2006, as compared to \$1 for the same period in 2005. Interest expense increased \$2,867, for the three months ended March 31, 2006, as compared to March 31, 2005. The increase in interest income is the result of increased volume.

Noninterest income for the three months ended March 31, 2006, totaled \$1,277, as compared to \$1,048 for the same period in 2005, an increase of \$229. Noninterest expense for the three months ended March 31, 2006 totaled \$1,652, as compared to \$1,461 for the same period in 2005, an increase of \$191. The increase in noninterest expense is attributed to an increase in insurance fund premium of \$113, an increase in other operating expense of \$153, and increase in occupancy and equipment of \$1 offset by a decrease in salaries and employee benefits of \$76. A provision for income taxes was recorded in the amount of \$2 for the three months ended compared to a provision in the amount of \$1 for the same period in 2005, an increase in tax expense of \$1.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with 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 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, 2006, was \$493,028 as compared to \$465,789 at December 31, 2005. The increase during the period is primarily attributed to successor in interest contracts and new loan volume.

CAPITAL RESOURCES

Total members' equity at March 31, 2006, decreased to \$59,525 from the December 31, 2005, total of \$61,487. The decrease is primarily attributed to retained earnings and capital stock retired in excess of net income and capital stock issued for the quarter ended March 31, 2006.

Total capital stock and participation certificates were \$1,532 on March 31, 2006, compared to \$1,606 on December 31, 2005. This decrease is attributed to the retirement of protected stock and participation certificates on loans liquidated in the normal course of business, new loans being capitalized at new lower regulatory levels and at risk capital stock and participation certificates retired.

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 12.40 percent and 10.56 percent, respectively, and the permanent capital ratio was 12.66 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.

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 1-229-246-8032 or 1-800-844-2615, writing Barbara B. Clark, Controller, Southwest Georgia Farm Credit, ACA, P. O. Box 790, Bainbridge, Georgia 39818-0790 or accessing the website, www.swgafarmcredit.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.

Southwest 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	\$ 1,154	\$ 3,358
Loans	468,348	455,324
Less: allowance for loan losses	844	844
Net loans	467,504	454,480
Other investments	75,986	58,851
Accrued interest receivable	6,582	7,176
Investment in other Farm Credit institutions	5,510	5,503
Premises and equipment, net	1,013	1,048
Other property owned	7	7
Prepaid retirement expense	3,181	3,279
Due from AgFirst Farm Credit Bank	—	4,203
Other assets	1,131	280
Total assets	<u>\$ 562,068</u>	<u>\$ 538,185</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 493,028	\$ 465,789
Accrued interest payable	2,239	1,981
Patronage refund payable	95	3,182
Other liabilities	7,181	5,746
Total liabilities	<u>502,543</u>	<u>476,698</u>
Commitments and contingencies		
Members' Equity		
Protected borrower equity	408	481
Capital stock and participation certificates	1,124	1,125
Retained earnings		
Allocated	20,726	24,744
Unallocated	37,267	35,137
Total members' equity	<u>59,525</u>	<u>61,487</u>
Total liabilities and members' equity	<u>\$ 562,068</u>	<u>\$ 538,185</u>

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

Southwest 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	\$ 8,344	\$ 6,033
Other	1,009	—
Total Interest Income	9,353	6,033
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	6,316	3,449
Net interest income	3,037	2,584
Provision for (reversal of allowance for) loan losses	—	1
Net interest income after provision for (reversal of allowance for) loan losses	3,037	2,583
Noninterest Income		
Loan fees	323	242
Fees for financially related services	1	2
Equity in earnings of other Farm Credit institutions	893	731
Gains (losses) on other property owned, net	—	(1)
Other noninterest income	60	74
Total noninterest income	1,277	1,048
Noninterest Expense		
Salaries and employee benefits	919	995
Occupancy and equipment	115	114
Insurance Fund premium	146	33
Other operating expenses	472	319
Total noninterest expense	1,652	1,461
Income before income taxes	2,662	2,170
Provision (benefit) for income taxes	2	1
Net income	\$ 2,660	\$ 2,169

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

Southwest 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	\$ 568	\$ 1,140	\$ 23,949	\$ 32,312	\$ 57,969
Net income				2,169	2,169
Protected borrower equity retired	(65)				(65)
Capital stock/participation certificates issued		29			29
Capital stock/participation certificates retired		(33)			(33)
Retained earnings retired			(3,780)		(3,780)
Distribution adjustment			(171)	(86)	(257)
Balance at March 31, 2005	\$ 503	\$ 1,136	\$ 19,998	\$ 34,395	\$ 56,032
Balance at December 31, 2005	\$ 481	\$ 1,125	\$ 24,744	\$ 35,137	\$ 61,487
Net income				2,660	2,660
Protected borrower equity retired	(73)				(73)
Capital stock/participation certificates issued		29			29
Capital stock/participation certificates retired		(30)			(30)
Retained earnings retired			(4,097)		(4,097)
Distribution adjustment			79	(530)	(451)
Balance at March 31, 2006	\$ 408	\$ 1,124	\$ 20,726	\$ 37,267	\$ 59,525

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

Southwest Georgia Farm Credit, ACA

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 Southwest Georgia 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.

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	\$ 843
(Reversal of) provision for loan losses	1
Loans (charged off), net of recoveries	<u>(1)</u>
Balance at 3-31-05	<u>\$ 843</u>
Balance at 12-31-05	\$ 844
(Reversal of) provision for loan losses	—
Loans (charged off), net of recoveries	<u>—</u>
Balance at 3-31-06	<u>\$ 844</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	\$ 98	\$ 98
Thrift/deferred compensation	26	24
Other postretirement benefits	<u>31</u>	<u>55</u>
Total	<u>\$ 155</u>	<u>\$ 177</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.