



## A Message From Ron Carli, *President and CEO*

The first quarter of 2005 brought lots of new and exciting changes to American AgCredit, one of which is the introduction of a quarterly letter for you, our valued stockholders. I am pleased to have the opportunity to communicate directly with each of you about the many things that are going on at American AgCredit and to thank you for your contributions to our fine Association.

This is an exciting time for American AgCredit, and I am grateful to all of you for making our first quarter of 2005 a big success on so many fronts.

Top of the list, I want to thank everyone involved for the tremendous group effort in making the merger transition go as smoothly as possible. The Intermountain and Stockton Regions are to be congratulated for quickly adjusting to and assimilating a new culture and credit philosophy. Change is never easy, but both regions have made great strides, aided by their willingness to ask questions and their eagerness to move forward. My appreciation also goes to the administrative staff and senior management for providing excellent support to these regions.

Our first quarter financial results were strong! Earnings were above projections and credit quality remained high. Loan growth was flat during the first quarter. This is typically the case, as first quarter totals reflect seasonality in that many borrowers pay down their loans at

year-end, and the largest percentage of annual payments are received at this time. The Loan Documentation staff indicates that they are busy, which bodes well for strong second quarter loan growth.

Much is also going on from a facilities perspective. The Escondido branch has moved into its new office. We are leasing this facility, which is excellently situated on the second floor of a new office complex. For those of you who have seen the old Escondido branch, you'll appreciate what a vast improvement this is. The new Turlock branch office and expansion of the Santa Rosa building are nearing completion. Turlock is looking forward to moving into its expanded facility by the first week of June and Santa Rosa won't be far behind, with completion targeted for mid-June.

I am also excited to announce that we just completed our first Young Farmer and Rancher Institute. American AgCredit and Farm Credit Services Southwest teamed together to introduce this highly successful program for the first time last year. The Young Farmer and Rancher Institute accepts 15 couples under the age of 35 who are willing to make a two-year commitment to learn more about financial tools, estate planning and other financial management measures. The two-year program will be offered again in the spring of 2006 and anyone interested in learning more should contact Terry Lindley.



This may be the first you've heard of The Horizons Project, however, we have been busy working on it for some time. The Horizons Project began in September 2004, and is focused on streamlining regulatory oversight and the possible introduction of new Farm Credit legislation in 2007 to modernize the 1971 Farm Credit Act. We are pleased to have the following individuals involved on behalf of American AgCredit: Sean O'Day, Terry Lindley, Jana Beeman, and Cathy Barnes, along with the Board and me. We are working with many other Farm Credit entities nationwide and looking forward to project completion by September 2005. We are hopeful that this project will successfully reshape the Farm Credit system of the future by providing you with better products and services. As more developments occur, I'll keep you posted. And, should you have questions, please feel free to contact me or Terry Lindley.

In closing, I would like to thank all stockholders for your support in making American AgCredit an excellent company dedicated to serving you, our customers. ■

# A Growing Agricultural Leader

The Association has just completed its first full quarter following the merger of American AgCredit and AgCredit Financial. It has been a quarter marked with encouraging results as well as operational challenges. Melding two separate cultures is never easy. Thankfully, the staff, management and board of the Association have all been through the merger experience before (several times, in fact). They know what is required to successfully integrate two similar, yet unique, cultures. Through their efforts, the challenges created by the merger have either been resolved already or are well on their way to being resolved. Paramount in the minds and attitudes of the people who work for the Association is the need to take care of our customers. While some adaptation may be necessary, customers should experience minimal change in their dealings with the Association. Our growth should benefit, never hinder, our customers.

This recent merger positions the Association to better diversify risk associated with specific industries, commodities or geographical regions. The better we manage risk, the more flexible we can be

in offering products, rates and programs to our customers. The recently adopted patronage program is just one example of a benefit that has resulted from our larger size and increased capacity for risk management. If the program parameters are met, the Association will pay a patronage dividend

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to all qualified borrowers based on 2005 patronage-sourced earnings. As we grow, we will seek opportunities to pass the benefits of that growth on to our customers.

The number of Farm Credit associations nationwide continues to decrease. The reason for this Systemwide consolidation is simple—agricultural operators are

expanding and consolidating in the face of competitive and operational pressures. As a result, they require a broader range of expertise and financing options than smaller, niche lenders can offer. At American AgCredit, we have chosen strategic partners within the Farm Credit system with which to merge. Our mergers of the past several years have mirrored the growing number of ag operator consolidations throughout the Western U.S. As our customers needs become more complex, we need to keep pace by aligning ourselves with other institutions that can add value to the products and services we offer to our customers. At the same time, we are ever mindful of the tendency of some large institutions to neglect their smaller customers. We realize that today’s small customer may be tomorrow’s large customer, therefore, each relationship we have needs to reflect a long-term commitment to nurturing success.

American AgCredit has been growing for almost 90 years. We’ll continue to grow to serve those who make American agriculture the envy of the world—you, our customer. ■

## On-Line Banking Services

Conduct your financial business from your home, office or while you’re on the road, 24-hours a day, seven days a week—at your convenience with

On-Line Banking.

Enrolling and accessing your account information is absolutely free and you can save time and money by checking balances, transferring funds, obtaining trans-

action information or even apply for a loan in the comfort of your own home or office. And always be ensured—On-Line Banking is completely secure. ■

# Financial Update

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The first quarter of 2005 produced solid operating results. Net income for the quarter was \$11.2 million, on par with the \$11.2 million earned in the first quarter of 2004. Annualized return on average assets at March 31, 2005 was 1.66%. The Association bears certain financial commitments related to data processing costs that were originated in the pre-merged entities but will not be required once the commitments expire. As a result, the cost savings resulting from the merger will be more pro-

nounced in 2006 than in 2005.

Interest rates have risen steadily with the Federal Reserve adjusting the Discount Rate by .75% since the end of 2004. As a result, many of our customers have elected to shift their variable rate loans to fixed rates. Solid commodity prices throughout the industries we finance have resulted in muted loan demand. Accruing loan volume is up \$24 million since March 2004, representing 1% loan growth. We anticipate that loan demand will accelerate as harvest cycles create additional

financing requirements.

Association capital now exceeds \$540 million. The Permanent Capital Ratio (the measure by which our regulators gauge the adequacy of our capital) now stands at 17.08%. This compares to a regulatory requirement of 7.0% and our own capital target range of 11.0% to 17.0%.

For more first quarter information, please see the Quarterly Report to Shareholders on the Association's Web site ([www.agloan.com](http://www.agloan.com)). ■

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# Customer Privacy

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Driven by the Internet, sophisticated marketing practices, legislation and regulation, privacy issues have taken on new prominence in the United States. At American AgCredit, we consider customer privacy a top priority and have dedicated ourselves to ensuring the confidentiality of your information. Our fiduciary and ethical responsibility regarding privacy dictates the controls we employ to safeguard your data.

The financial data you supply on your personal or business affairs for your loan with the Association is kept highly confidential. In most cases, only the personnel immediately responsible

for underwriting and servicing your loan have access to your loan file. As a regulated institution, we are required to periodically allow our regulators, the Farm Credit Administration, to review loan files to ensure the loans have been properly evaluated and classified. We may also utilize independent credit review consultants who review loan files for quality control assurance. Any person reviewing loan files in this capacity is bound by strict regulatory or contractual obligations to maintain the confidentiality of the information they review. Members of the Board of Directors do not have access to customer loan files.

The Association also utilizes

technology to ensure your data is secure. We have multiple system controls including sophisticated password protection, data encryption, multiple firewalls, and system redundancies. Each year we test our systems to ensure there are no areas of vulnerability. Our On-Line Banking product allows customers to securely access their account information without the threat of prying eyes.

As the financial industry continues to move toward electronic information access, American AgCredit will remain committed to doing whatever it takes to keep our customers' information private. Your privacy is our duty. ■

# American AgCredit, ACA

## CENTRAL REGION

### CORPORATE OFFICE

200 Concourse Boulevard  
Santa Rosa, CA 95403  
707/545-1200

### SANTA ROSA OFFICE

200 Concourse Boulevard  
Santa Rosa, CA 95403  
707/545-7100

### PETALUMA

1345 Redwood Way  
Petaluma, CA 94954  
707/793-9023

### ST. HELENA

1101 Vintage Avenue  
St. Helena, CA 94574  
707/963-9437

### UKIAH

455 E. Gobbi Street  
Ukiah, CA 95482  
707/462-6531

## SALINAS REGION

### SALINAS

924 E. Blanco Road  
Salinas, CA 93901  
831/424-1756

## CENTRAL VALLEY REGION

### LOS BANOS

515 J Street  
Los Banos, CA 93635-4212  
209/826-0320

### MERCED

711 W. 19<sup>th</sup> Street  
Merced, CA 95340-4606  
209/384-1050

### OAKDALE

700 N. Yosemite  
Oakdale, CA 95361-2629  
209/847-0353

### TURLOCK

3201 W. Monte Vista Avenue  
Turlock, CA 95380-3936  
209/667-5101

## NORTHERN REGION

### EUREKA

5560 South Broadway  
Eureka, CA 95503  
707/445-8871

## SOUTHERN CALIFORNIA REGION

### INDIO

83-057 Requa Avenue  
Indio, CA 92201-4631  
760/342-4726

### ESCONDIDO

960 Canterbury Place, Suite 210  
Escondido, CA 92025  
760/746-5055

### ONTARIO

1910 S. Archibald Ave., Suite U-101  
Ontario, CA 91761-8565  
909/947-2371

### RIVERSIDE

5005 Canyon Crest Drive  
Riverside, CA 92507-6096  
909/781-8100

## STOCKTON REGION

### STOCKTON

3984 Cherokee Road  
Stockton, CA 95215  
209/931-3770

## INTERMOUNTAIN REGION

### RENO

255 W. Peckham Lane  
Reno, NV 89509  
775/825-7282

### ALTURAS

403 E. Hwy 395  
Alturas, CA 96101  
530/233-4304

### ELKO

978 Commercial Street  
Elko, NV 89801  
775/738-8496

### FALLON

1440 W. Williams Avenue  
Fallon, NV 89406  
775/423-3136

### SUSANVILLE

55 N. Union Street, Suite B  
Susanville, CA 96130  
530/257-3376

### TULELAKE

356 Main Street  
Tulelake, CA 96134  
530/667-4236

### YREKA

809 Fourth Street  
Yreka, CA 96097  
530/842-1304

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Santa Rosa, CA 95403

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