

FIRST QUARTER 2007

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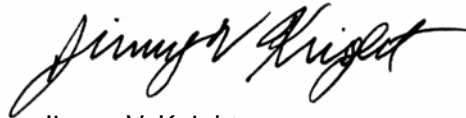
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Jimmy V. Knight
Chief Executive Officer



William G. Welles, IV
Chairman of the Board

April 27, 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 Farm Credit of Southwest Florida, ACA for the period ended March 31, 2007. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated 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 citrus, sugar and cattle. 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 March 31, 2007, was \$221,600, an increase of \$2,001 as compared to \$219,599 at December 31, 2006. Net loans outstanding at March 31, 2007, were \$221,449 as compared to \$219,412 at December 31, 2006. Net loans accounted for 79.60 percent of total assets at March 31, 2007, as compared to 79.53 percent of total assets at December 31, 2006. The increase in gross and net loan volume during the reporting period is attributed to an increase in loan activity.

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. Nonaccrual loans remained unchanged at \$700 from December 31, 2006, to March 31, 2007. 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, 2007, was \$151 compared to \$187 at December 31, 2006, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2007

Net income for the three months ended March 31, 2007, totaled \$1,807, as compared to \$1,627 for the same period in 2006. Net interest income decreased \$385 for the three months ended March 31, 2007, as compared to the same period in 2006.

Non-interest income for the three months ended March 31, 2007, totaled \$1,928, as compared to \$1,256 for the same period of 2006, an increase of \$672. The increase is primarily due to accrued earnings for patronage from other Farm Credit Institutions and AgFirst Farm Credit Bank. Non-interest expense for the three months ended March 31, 2007, increased \$190 compared to the same period of 2006. The increase is due to the approved controllable operating costs associated with the normal course of business.

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 March 31, 2007, was \$217,639 as compared to \$217,032 at December 31, 2006.

CAPITAL RESOURCES

Total members' equity at March 31, 2007, increased to \$53,540 from the December 31, 2006, total of \$51,759. The increase is primarily attributed to first quarter's earnings.

Total capital stock and participation certificates were \$1,110 on March 31, 2007, compared to \$1,109 on December 31, 2006. The increase is attributed to new loan volume requiring capital stock and participation certificates.

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, 2007, the Association's total surplus ratio and core surplus ratio were 16.94 percent and 11.41 percent, respectively, and the permanent capital ratio was 17.20 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.

ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS

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.

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, 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 1-800-307-5677 ext. 141, or writing: Lori Langfang, Controller, Farm Credit of Southwest Florida, ACA 330 N. Brevard Ave 34266, or accessing the website, www.farmcreditswfl.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.

Farm Credit of Southwest Florida, ACA
Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2007 <i>(unaudited)</i>	December 31, 2006 <i>(audited)</i>
Assets		
Cash	\$ 4	\$ –
Investment securities, held to maturity	34,139	32,202
Loans	221,600	219,599
Less: allowance for loan losses	151	187
Net loans	221,449	219,412
Accrued interest receivable	2,910	3,191
Investment in other Farm Credit institutions	12,441	12,209
Premises and equipment, net	974	984
Prepaid retirement expense	2,212	2,292
Due from AgFirst Farm Credit Bank	1,136	3,641
Other assets	2,920	1,942
Total assets	<u>\$ 278,185</u>	<u>\$ 275,873</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 217,639	\$ 217,032
Accrued interest payable	1,106	1,117
Patronage refund payable	519	2,516
Other liabilities	5,381	3,449
Total liabilities	<u>224,645</u>	<u>224,114</u>
Commitments and contingencies		
Members' Equity		
Protected borrower equity	499	508
Capital stock and participation certificates	611	601
Retained earnings		
Allocated	26,575	25,779
Unallocated	25,855	24,871
Total members' equity	<u>53,540</u>	<u>51,759</u>
Total liabilities and members' equity	<u>\$ 278,185</u>	<u>\$ 275,873</u>

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

Farm Credit of Southwest Florida, ACA
Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended March 31,	
	2007	2006
Interest Income		
Loans	\$ 4,366	\$ 5,184
Investment securities	419	65
Total Interest Income	4,785	5,249
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	3,201	3,279
Net interest income	1,584	1,970
Provision for (reversal of allowance for) loan losses	(36)	67
Net interest income after provision for (reversal of allowance for) loan losses	1,620	1,903
Noninterest Income		
Loan fees	180	101
Equity in earnings of other Farm Credit institutions	1,697	1,115
Gains (losses) on other property owned, net	1	2
Other noninterest income	50	38
Total noninterest income	1,928	1,256
Noninterest Expense		
Salaries and employee benefits	1,058	921
Occupancy and equipment	108	89
Insurance Fund premium	78	95
Other operating expenses	472	421
Total noninterest expense	1,716	1,526
Income before income taxes	1,832	1,633
Provision (benefit) for income taxes	25	6
Net income	\$ 1,807	\$ 1,627

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

Farm Credit of Southwest Florida, 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	\$ 622	\$ 656	\$ 25,257	\$ 25,231	\$ 51,766
Net income				1,627	1,627
Protected borrower equity retired	(14)				(14)
Capital stock/participation certificates issued		14			14
Capital stock/participation certificates retired		(1)			(1)
Distribution adjustment			853	(1,312)	(459)
Balance at March 31, 2006	\$ 608	\$ 669	\$ 26,110	\$ 25,546	\$ 52,933
Balance at December 31, 2006	\$ 508	\$ 601	\$ 25,779	\$ 24,871	\$ 51,759
Net income				1,807	1,807
Protected borrower equity retired	(9)				(9)
Capital stock/participation certificates issued		10			10
Patronage distribution					
Allocated retained earnings			261	(261)	—
Nonqualified allocated retained earnings			485	(485)	—
Distribution adjustment			50	(77)	(27)
Balance at March 31, 2007	\$ 499	\$ 611	\$ 26,575	\$ 25,855	\$ 53,540

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 Farm Credit of Southwest Florida, 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 first 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 three months ended March 31, 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 March 31, 2007, the allowance for losses is adequate in management’s opinion to provide for possible losses on existing loans.

Investment Securities: The Association, as permitted under the FCA regulations, holds investments for purposes of maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk. The Association’s investments are classified as held to maturity and accordingly have been reported at amortized cost. Purchased premiums and discounts are amortized or accreted using the effective interest method over the term of the respective security.

The Association reviews all investments that are in a loss position in order to determine whether the unrealized loss, which is considered an impairment, is temporary or permanent. In the event of permanent impairment, the cost basis of the investment would be written down to its fair value, and the realized loss would be included in current earnings.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	For the three months ended March 31,	
	2007	2006
Balance at beginning of period	\$ 187	\$ 183
Provision for (reversal of) loan losses	(36)	67
Recoveries, net of loans charged off	—	1
Balance at end of period	<u>\$ 151</u>	<u>\$ 251</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, 2007:

	For the three months ended March 31,	
	2007	2006
Pension	\$ 80	\$ 96
Thrift/deferred compensation	19	16
Other postretirement benefits	18	20
Total	<u>\$ 117</u>	<u>\$ 132</u>

As of March 31, 2007, no contributions have been made to the pension plan for 2007. Actuarial projections as of the last plan measurement date (September 30, 2006) did not anticipate any contributions for 2007; 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.