

## Message to Stockholders

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Dear Stockholder:

Your Association is experiencing a year of tremendous loan growth. This growth is coming from all sectors of our portfolio but is particularly strong in our Central Valley Region and in our Capital Markets Group. Interest rate markets have fluctuated widely over the past few months. Thanks to a strong capital base and sound credit quality, the Association has been able to weather these fluctuations without increasing rates to our members. In spite of increased funding costs, our variable rate loans have actually decreased. Combined with the cash dividend the Association pays at year-end which further reduce borrowing costs, these low rates make borrowing from American AgCredit the most attractive financing alternative for California and Nevada agricultural operators. We plan on continuing our century-long tradition of being the most stable and most affordable agricultural lender in our market.

**Financial Condition and Results of Operations:** Third quarter income totaled \$14.9 million, \$2.8 million less than the third quarter of 2006. This decrease is largely the result of a combination of two factors: First, during the 3<sup>rd</sup> quarter in 2007, the Association added \$4.2 million to its Loan Loss Provision to address a decrease in credit quality of a single large loan complex. This additional provision also created a deferred tax asset of \$1.4 million which is reflected in the income tax benefit for the quarter. Secondly, in the 3<sup>rd</sup> quarter of 2006, a \$4.1 million deferred tax liability became a permanent (non-taxable) difference as described in Note 5 to the financial statements. Excluding these unusual items, 2007 third quarter income would have been \$4.0 million higher than 2006's third quarter income. Net interest income was \$2.5 million higher for the quarter than in 2006. This higher net interest is the result of higher loan volume, which has increased 16.8% since the prior year. In addition, non-interest income for the quarter was \$2.7 million higher than the prior year as the result of an increase in servicing and syndication fees associated with originating new loans.

Accrual loan volume reached \$3.13 billion at Sept. 30, 2007, up \$451 million from the same period in 2006. Non-accrual loans stand at \$8.0 million, an increase of \$1.0 million from the third quarter of last year. Nonaccrual loans represent less than one percent of total loan volume. At Sept. 30, 2006, accrual and nonaccrual volume stood at \$2.68 billion and \$7.0 million respectively.

The financial condition and the results of operations of U.S. AgBank materially affect your investment in the Association. To obtain a copy of the Bank's quarterly report to shareholders, free of charge, please contact the Bank at P.O. Box 2940, Wichita, KS 67201-2940 or call (800) 322-9880.

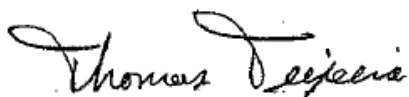
As always, please contact us with your comments or questions.

Sincerely,



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**Ron Carli**  
President and CEO



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**Tom Teixeira**  
Chairman of the Board

October 30, 2007

**FINANCIAL STATEMENTS**

(Unaudited and in \$000s)

<b>STATEMENT OF CONDITION</b>	Sept. 30		Dec. 31	
	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>				
Loans	<b>\$3,137,684</b>	\$2,686,517	\$2,819,317	\$2,693,096
Less: allowance for loan losses	<b>(10,070)</b>	(5,351)	(5,507)	(6,557)
Net Loans	<b>\$3,127,614</b>	2,681,166	2,813,810	2,686,539
Investment in the U.S. AgBank	<b>99,143</b>	98,444	99,143	96,524
Investment in CoBank	<b>9,580</b>	9,287	9,287	9,136
Accrued interest receivable	<b>52,742</b>	46,843	36,714	28,264
Premises and equipment	<b>18,698</b>	20,182	19,082	21,132
Other Assets	<b>18,405</b>	9,787	12,190	4,301
Total Assets	<b><u>\$3,326,182</u></b>	<u>\$2,865,709</u>	<u>\$2,990,226</u>	<u>\$2,845,896</u>
<b>LIABILITIES</b>				
Note payable to U.S. AgBank	<b>\$2,472,526</b>	\$2,199,618	\$2,335,918	\$2,205,887
Funds Held Accounts	<b>138,397</b>	26,859	13,670	19,091
Accrued interest payable	<b>10,764</b>	9,706	10,151	8,394
Other liabilities	<b>23,480</b>	23,834	41,407	37,199
Total Liabilities	<b><u>\$2,645,167</u></b>	<u>\$2,260,017</u>	<u>\$2,401,146</u>	<u>\$2,270,571</u>
<b>MEMBERS' EQUITY</b>				
Common stock and participation certificates	<b>\$3,180</b>	\$3,194	\$3,208	\$3,279
Preferred stock	<b>105,668</b>	68,035	54,235	79,587
Unallocated retained earnings	<b>572,167</b>	534,463	531,637	492,459
Total Members' Equity	<b><u>681,015</u></b>	<u>605,692</u>	<u>589,080</u>	<u>575,325</u>
Total Liabilities and Members' Equity	<b><u>\$3,326,182</u></b>	<u>\$2,865,709</u>	<u>\$2,990,226</u>	<u>\$2,845,896</u>
<b>STATEMENT OF INCOME</b>				
	For the three months ended Sept. 30		For the nine months ended Sept. 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Interest income	<b>\$57,054</b>	\$50,714	<b>\$164,255</b>	\$144,293
Interest expense	<b>(33,665)</b>	(29,871)	<b>(96,689)</b>	(83,284)
Net interest income	<b>23,389</b>	20,843	<b>67,566</b>	61,009
Other income	<b>6,798</b>	4,073	<b>17,287</b>	13,685
Reversal of (provision for) Loan Loss Provision	<b>(4,439)</b>	(156)	<b>(5,283)</b>	819
Operating and other expenses	<b>(12,275)</b>	(11,102)	<b>(36,632)</b>	(34,725)
Income before taxes	<b>13,473</b>	13,658	<b>42,938</b>	40,788
Benefit (Provision) for income taxes	<b>1,409</b>	4,063	<b>1,112</b>	3,693
Net income	<b><u>\$14,882</u></b>	<u>\$17,721</u>	<b><u>\$44,050</u></b>	<u>\$44,481</u>

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

**STATEMENT OF CHANGES IN MEMBERS' EQUITY**

Nine months ended Sept. 30, 2007 and 2006

	Capital Stock	Preferred Stock	Unallocated Retained Earnings	Total Members' Equity
Balance at December 31, 2005	\$3,279	\$79,588	\$492,329	\$575,196
Net income			44,481	44,481
Issuances	361	207,432		207,793
Retirements	(446)	(218,985)		(219,431)
Preferred stock dividends paid			(2,347)	(2,347)
<b>Balance at Sept. 30, 2006</b>	<b>\$3,194</b>	<b>\$68,035</b>	<b>\$534,463</b>	<b>\$605,692</b>
Balance at December 31, 2006	\$3,207	\$54,235	\$531,627	\$589,069
Net income			44,050	44,050
Issuances	1,139	198,545		199,684
Retirements	(1,166)	(147,112)		(148,278)
Preferred stock dividends paid			(3,510)	(3,510)
<b>Balance at Sept. 30, 2007</b>	<b>\$3,180</b>	<b>\$105,668</b>	<b>\$572,167</b>	<b>\$681,015</b>

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

**Notes to the Financial Statements**

*(Unaudited)*

**NOTE 1 - Organization and Significant Accounting Policies**

A description of the organization and operations of the American AgCredit, ACA (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 Stockholders (2006 Annual Report) for American AgCredit, ACA. These unaudited third quarter 2007 financial statements of the Association should be read in conjunction with the 2006 Annual Report. The financial statements were prepared under the oversight of the audit committee of the board of directors. The financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to generally accepted accounting principles. The results of operations for the three- and nine-month periods ended Sept. 30, 2007 are not necessarily indicative of results to be expected for the full year.

**NOTE 2 - Capital**

At Sept. 30, 2007, the Association's regulatory capital ratio was 17.9%, which exceeds the minimum of 7.0% required by our regulators, the Farm Credit Administration.

Association shareholders have approved a class of preferred stock known as H Stock. At Sept. 30, 2007, 200 million shares of the stock are authorized at \$1.00 par value. H stock ownership is limited to existing common stockholders of the Association and is considered "at-risk". The stock bears a dividend rate that is set by the Board of Directors. Retirement of the stock is at the discretion of the Board. At Sept. 30, 2007 there were 105,668,188 shares of H stock issued and outstanding. The dividend rate at Sept. 30, 2007 was 5.25%.

**NOTE 3 - Allowance for Loan Losses**

A summary of activity in the allowance for loan losses follows (in 000s):

**For the nine months ended Sept. 30:**

	<u>2007</u>	<u>2006</u>
Beginning balance - Jan. 1	\$5,507	\$6,557
Recoveries	8	21
Loss provision adjustment	5,283	(819)
Loans charged off	<u>(728)</u>	<u>(408)</u>
Ending balance – Sept. 30	<u>\$10,070</u>	<u>\$5,351</u>

The determination of the allowance for loan losses is based on estimates that are susceptible to changes in the economic environment and market conditions, and is based on the Association's past loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral, and current economic conditions. Management believes that as of Sept. 30, 2007, the allowance for loan losses is adequate based on information currently available.

The following table presents information concerning impaired loans as of Sept. 30, (in 000s)

	<u>2007</u>	<u>2006</u>
Impaired loans with related allowance	\$153	\$236
Impaired loans with no related allowance	<u>7,808</u>	<u>6,744</u>
Total impaired loans	\$7,961	\$6,980
Allowance on impaired loans	\$153	\$236

Impaired loan information for the quarter ended Sept. 30, is summarized as follows:

	<u>2007</u>	<u>2006</u>
Average impaired loans	\$8,978	\$7,171
Interest income recognized on impaired loans	\$617	\$734

**NOTE 4 - Purchased and Sold Loans**

The Association, in the normal course of business, regularly purchases and sells loans in whole or in part. All loans sold to others are sold without recourse. The following table summarizes these loans (in 000s):

	<u>Sept. 30, 2007</u>	<u>Sept. 30, 2006</u>	<u>Dec. 31, 2005</u>
Loans purchased from others	\$189,695	\$157,638	\$157,212
Loans sold to others	\$1,683,771	\$1,015,763	\$810,818
Retained interest in sold loans	\$555,870	\$363,037	\$329,134
Syndications serviced for others	\$972,908	\$523,389	\$365,983
Loans sold to and serviced for Farmer Mac	\$884	\$977	\$1,080

**NOTE 5 – Tax benefit**

In September 2006, the Association recognized \$4.1 million income tax benefit. This item related to interest received on a tax refund from the IRS in 2002. Pursuant to an agreement with the IRS, the Association received refunds for taxes paid on its mortgage portfolio earnings since the formation of the Agricultural Credit Association (ACA) in 1992. These earnings are exempt from taxation via federal statutes. The interest that accrued on the refund amounts during the years in question was considered by the Association to be non-taxable as well. However, the Association recorded the amount of the interest as a deferred tax liability until the ultimate disposition of its taxability could be determined. In September 2006, the statute of limitations expired on the tax returns filed with this interest exclusion thus allowing the Association to recognize the interest as an income tax benefit.