



Spring 2006



Tom Brown
President and CEO

PRESIDENTS MESSAGE

Spring Update

Weather:

One thing that is certain about our industry and that is that Mother Nature rules! This has been a very unusual spring. Early on it was very dry and warm. Then it became cold with some reports of frost damage. We then experienced weeks of rain with reports of all kinds of issues including some hail damage. The impact on production throughout our territory as a result of this unusual weather won't be known for some time. What is certain is that there will be some negative effect on production and or costs.

Interest Rates:

The Federal Reserve raised rates 25bp on March 28th. We increased our variable rates effective April 1, 2006 by the same amount and then were able to hold rates level for May 1st.

We made an early 25bp adjustment in January of 2006 but avoided other Fed increases until the first of April. Our fiscal strategy remains the same as it has

been for the last few years; manage our Return on Assets (ROA) which is acceptable to our Banker and Regulator given our outstanding credit quality and very high level of capital (19.5%).

In my view, new Federal Reserve Chairman Bernanke is cautiously optimistic relative to the growth rate of inflation in 2006. The Fed would like to think that they have inflation under control; the flow of new orders to businesses, unemployment insurance claims, payroll employment and retail sales figures support this position. However, Bernanke is not excluding the possibility of further increases in the Fed fund rate (currently 4.75%). Aggregate demand is gaining momentum which raises a concern that the corresponding increase in production could overshoot the level of demand - thus increasing inflation. Higher energy prices are also a very significant factor; increases in energy costs

will eventually passthrough into the prices of non-energy goods and services and thus increase inflation as well. Obviously, the new Chairman will be watching all of the variables and will be ready to step in

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with measures to hold inflation. In the past, the weapon of choice of the Fed has been to raise interest rates. At this point, experts are predicting that the Fed will make at least one more increase (May 10); rates are then expected to flatten at mid year and remain flat until 2007. I would not bet on this scenario but I hope they are right. On a historical basis, rates have been very low for the last few years.

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2006 Stockholders' Meeting

MARK YOUR CALENDAR

The Fresno Madera Farm Credit Annual Stockholders' Meeting will be held on Wednesday, May 10th at the Radisson Hotel and Conference Center in Fresno. Invitations and Director Election information was mailed to all Stockholders on April 21st. Please contact our Front Desk at (559)277-7000 for more information or to RSVP. We look forward to seeing you there!

CUSTOMERS IN THE NEWS

Congratulations to the following Customers for the Outstanding Achievements:



Pacheco Dairy Inc.
First Place - 1000+ Cow Herd
Dairy Herd Improvement Association



Philip Verwey Farms
First Place - 1000+ Cow Herd Milking
3X Dairy Herd Improvement Assn.



Green Valley Jerseys
First Place - 50+ Jersey Herd
Dairy Herd Improvement Association



The Specialty Crop Company
2006 Central California
Excellence in Business Award
Recipient Agri Business

President's Message continued

Volume and New Business:

Through the end the first quarter our PCA volume is up 25.5% over last year at the same time; the FLB is up 4.86%. The combined increase for both (ACA level) is 9.22% which is outstanding. On March 31st our volume was \$525 million. Our goal is to peak above \$600,000,000 in 2006 and achieve a significant increase in average loan volume outstanding. It is too early to predict our performance for the year but we are off to a very nice start!

We have been very fortunate to add ninety one (91) new customers to the Company in the first Quarter of 2006. It has not been easy as the competition in our market is fierce. Lenders who traditionally are "in and out" of the agricultural market are now very aggressive to get "in". The solid regional and local commercial lenders remain firmly in the market. Fortunately we can either "beat" or "meet" our competitors pricing. We are not naïve; we understand that pricing is very important. We believe that two other factors are just as important; they are: (1) Our focus on building long term relationships with our customers and treating you as individuals and not as a number; and (2) Our commitment to providing outstanding customer service not only when we make each loan, but every day. Many of our new customers are surprised that we deal with our customers on their farm and that we have people on staff who understand agriculture.

As we prove over and over again that "There is a Difference at FMFC" we continue to gain referrals from satisfied customers and we continue to set new business development records each year.

Upcoming Events:

The Annual Meeting is scheduled for May 10th. It will be held at the Radisson Hotel and Conference Center in downtown Fresno again this year. Wine and hors d'oeuvres will be served at 5:30 p.m. followed by dinner at 6:30 p.m.. If you have not attended in recent years, please trust me when I say that you will have a great time! The meeting will

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be informative, you will have plenty of time to visit with your friends and enjoy a great dinner. The event will end at 8:30 p.m. sharp. Our goal is to significantly increase member attendance at the Annual Meeting. Please plan to attend; bring your whole family and bring your neighbor!



- Tom Brown

SPRING FIELD REPORT

Raisin, Wine, And Table Grapes

The vines are just beginning to push their spring growth. So far the spring growth is about two to three weeks later than normal. During this same time there has been a steady stream of storms coming through the valley with some clouds dumping a lot of rain along with scattered hail. Southern Fresno County growers have had very heavy hail reported. Preliminary reports have not determined the extent of the damage.

Nuts

Almond bloom has been through some rough weather ranging from frost to heavy rain to hail. Depending upon the location the crop is good to not so good. Limbs have been noted to contain nuts the size of a little finger and right next to it there was a bloom about to open. It has been suspected the lack of chilling hours has caused the trees to have a staggered bloom.

Pistachios and walnuts are still relative dormant. Walnuts have just started to push new growth.

Dairy

The wet weather has put some pressure on the dairies that are designed with the open corrals. Milk prices have continued signs of sliding to below \$10 for overbase milk. Good quality hay prices have remained high to the dairy. With the wet weather there is now concern that the first cutting could be rained on.

Tree Fruit

The wet weather has brought with the storms several instances of hail. In southern Fresno County there were reports of hail stones the size of golf balls. Pictures were furnished that the hail was at least the size of a quarter. Trees in the area of the storm were stripped of leaves and most fruit. The remaining fruit was most likely damaged or scarred. Crop set in the areas with no damage appears to be about normal although 2 to 3 weeks slow.

Cotton

Wet and cool weather has delayed planting so the 2006 cotton season is off to a slow start. Planting intentions are mixed with the growers that were thinking of planting Pima are now considering Acala type cotton.

Hay & Grains

Hay prices are continuing to remain high. There was a lot of new acreage planted earlier with seed supplies running low to non existent. The wet weather has increased the concern of getting the first cutting off between the rain storms. Grain prices are remaining relatively stable at this time. The year started off very dry causing serious concern over the grass conditions in the hills. Once we got through January and the first parts of February the steady string of storms have really helped the grass conditions in the coast range and the foothills.

Vegetables

Planting of processing and market tomatoes has been delayed because of the wet weather. Reports indicated some planting taking place on the west side; however, the green houses are backed up with plants due to the persistent rains.

Water Availability

The one good news has been all the rain and a very good snow pack. Fresno's Sierra snow pack has been reported at over 135% of normal. The reservoirs have to release a lot of water in anticipation of an above normal run off. Many of the valley creeks and rivers will be running well above normal nearing flood stages. Based on the snow pack and rain fall to date 2006 should have a good water run for irrigation.

CONNECTION

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Fresno, CA 93794-3069

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CALENDAR

We will be closed on

- Monday, May 29th - Memorial Day
- Tuesday, July 4th - Fourth of July

UPCOMING EVENTS

- May 7, 2006, Madera County Farm Bureau Wine Tasting, Sherman Thomas Ranch - Madera, CA
- May 10, 2006, FMFC Annual Stockholders Meeting, Fresno Radisson Hotel and Conference Center
- May 18-21, 2006, Chowchilla-Madera County Fair
- June 22, 2006, Excellence in Business Awards, Fresno Radisson Hotel and Conference Center

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Loan Accounting
559-277-7016
Toll Free 877-363-8637

Madera: 305 North "I" Street, NE corner of 4th & "I" Street, Madera, CA 93637
559-674-2437 FX 673-8414

www.fmfarmcredit.com

WHY LEASE ?

Leasing offers you one more way to finance the assets you need to conduct business. While you won't own the equipment, you will benefit from its use. For any business, the real value of equipment lies in its operation-not in its ownership. In addition, leasing offers certain benefits not typically associated with other forms of financing.

FCL leases a wide range of equipment:

- Fleet vehicles or other transportation equipment
- Lift Trucks
- Construction equipment including Back-hoes
- Machinery, implements and buildings for agriculture and agribusiness
- Special equipment for communications and energy industries
- Other

Farm Credit Leasing delivers a full range of options that can bring many benefits to your business - it's an

excellent way to save costs, improve cash flow, avoid equipment obsolescence, free up capital, and gain tax advantages. You'll also find that leasing can make your life simpler. For example:

- Pay nothing down
- Lower your monthly payments
- Improve cash forecasting
- Standardize your replacement cycle
- Hedge against obsolescence
- Reduce maintenance costs
- Gain convenience and flexibility
- Move assets off your balance sheet
- Benefit from tax advantages
- Access an alternative credit source

For more information on why you should lease with us, call your loan officer today!