Second Quarter 2014
Report to Shareholders

Farm Credit Services of Colusa-Glenn, ACA

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Unaudited)

The following discussion summarizes the financial position and results of operations of Farm Credit Services of Colusa-Glenn, ACA (the "Association") and subsidiaries for the six months ended June 30, 2014, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2013 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

GENERAL

The Association has continued to maintain a portfolio with strong credit quality through the six months ended June 30, 2014. Having said this, there are a few factors that have impacted and will continue to impact the results of operations in the short-term and should be considered by the reader of these financial statements. The Association has noted a decrease in operating loan volume over the past six months that is indicative of two major factors impacting our members: enhanced financial stability of our member base and potential members and the severity of the drought. The improvement in the overall financial stability of growers in our area is a positive sign for the health of the agriculture industry, and, despite the short-term adverse impact on our loan portfolio, the Association feels that the long-term benefits of a strengthening agricultural community outweigh the minor losses of interest income sustained in 2014. The drought, however, is a major concern for not only the Association but the entire state.

Drought conditions within Colusa and Glenn Counties, as well as the majority of the State of California, are currently at extreme to abnormal levels. The availability of inexpensive and dependable sources of water for irrigation has always been a significant factor affecting land values and crop production on nearly all irrigated cropland and permanent plantings in the Sacramento Valley. Over the past several years, the reductions in water deliveries from most Federal and State managed water districts did not appear to affect either crop production and/or land values. With the transition of substantial acreage being converted from irrigated cropland to permanent plantings, growers are relying more and more on pumped groundwater to supplement high cost and less reliable district water. Several areas that have seen significant development to permanent plantings have historically limited sources of available groundwater are now experiencing groundwater depletion leading to the failure of some wells. Adequate average precipitation over the past three years has allowed many districts in the Sacramento Valley to provide full water deliveries and alleviate most concerns of shortages. However, conditions have changed drastically over the past several months with reduced irrigation water deliveries. In 2014, no Federal water contractors north of the Sacramento Delta delivered Federal water to their growers. In contrast, the Sacramento River Settlement Contractors received delivery of 75% of their contract supply. Below normal snow pack and precipitation in the Sacramento Valley, along with minimal carryover water storage in several key Central Valley Project reservoirs, has resulted in below average water storage in the Shasta and Folsom reservoirs.

The Association has and will continue to monitor the drought and its impact on the health of our portfolio, taking actions when necessary to avoid losses.

LOAN PORTFOLIO

Loans outstanding at June 30, 2014, totaled $286.8 million, a decrease of $20.7 million, or 6.7%, from loans of $307.6 million at December 31, 2013. The decrease was primarily due to a decrease in operating loan volume resulting from less loan demand from growers. This lack of demand is the result of increased grower financial strength as well as decreased financeable acreage caused by growers forgoing planting because of water concerns. Other contributing factors to the decrease in loan volume would be the impact of seasonal loan repayments.

OTHER PROPERTY OWNED

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure or other means. The Association did not own any other property as of June 30, 2014, and December 31, 2013.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2014, was $2.3 million, a decrease of $292 thousand, or 11.3%, from $2.6 million for the six months ended June 30, 2013. This decrease is primarily attributable to increased salaries and benefits expense resulting from retirement packages provided in 2014.

Net interest income for the six months ended June 30, 2014, was $4.0 million, an increase of $162 thousand, or 4.2%, from $3.8 million for the six months ended June 30, 2013. This increase was caused mainly by the reversal of $179 thousand for the allowance for loan losses recorded in 2014 (discussed further below).

The loan loss reversal for the six months ended June 30, 2014, was $179 thousand, an increase of $178 thousand, or 178.0%, from $1 thousand for the six months ended June 30, 2013. The loan loss reversal increased due to the Association adjusting reserves to reflect lower loan volume. We received mineral income of $3 thousand for the six months ended June 30, 2014, which is distributed to us quarterly by the Bank.

Non-interest income for the six months ended June 30, 2014, was $408 thousand, a decrease of $46 thousand, or 10.1%, from $454 thousand for the six months ended June 30, 2013. Non-interest income decreased due to a drop in patronage refunds from CoBank related to lower operating loan volume.

Non-interest expense for the six months ended June 30, 2014, was $1.9 million, an increase of $389 thousand, or 25.0%, from $1.6 million for the six months ended June 30, 2013. Non-interest expense increased due to increased salaries and benefits expense resulting from retirement packages provided in 2014.

CAPITAL RESOURCES

Our shareholders' equity at June 30, 2014, was $84.0 million, an increase of $2.2 million, or 2.6%, from shareholders' equity of $81.8 million at December 31, 2013. This increase is due to net income partially offset by stock retirements during 2014.

FORWARD LOOKING INFORMATION

This discussion contains forward looking statements. These statements are not guarantees of future performance; future operations involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," or "will" are intended to identify forward-looking statements. These statements are based on management's assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. Readers are cautioned not to place undue reliance on these forward-looking statements. We will not update any forward-looking statements to reflect events or circumstances arising after they are made.

CERTIFICATION

The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.

Michael Doherty
Chairman of the Board
August 5, 2014

Robert Faris
President & CEO
August 5, 2014

Mark Heidrick
Chief Financial Officer
August 5, 2014

CONSOLIDATED STATEMENT OF CONDITION
(In Thousands)

	June 30, 2014 *Unaudited*	December 31, 2013 *Audited*
ASSETS		
Loans	**$ 286,836**	$ 307,578
Less allowance for loan losses	**1,268**	1,446
Net loans	**285,568**	306,132
Cash	**2,077**	-
Accrued interest receivable	**4,291**	2,344
Investment in CoBank	**10,291**	10,287
Premises and equipment, net	**553**	555
Other assets	**553**	1,076
Total assets	**$ 303,333**	$ 320,394
LIABILITIES		
Note payable to CoBank	**$ 171,102**	$ 215,458
Advance conditional payments	**43,557**	20,114
Accrued interest payable	**253**	294
Accrued benefits liability	**107**	81
Deferred tax liability	**688**	658
Unfunded disbursements	**2,804**	1,633
Other liabilities	**866**	359
Total liabilities	**219,377**	238,597
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	**617**	744
Unallocated retained earnings	**83,339**	81,053
Total shareholders' equity	**83,956**	81,797
Total liabilities and shareholders' equity	**$ 303,333**	$ 320,394

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

CONSOLIDATED STATEMENT OF NET INCOME

(Unaudited and In Thousands)

	For the three months ended June 30,		*For the six months ended June 30,*	
	2014	2013	**2014**	2013
INTEREST INCOME				
Loans	**$ 2,741**	$ 2,860	**$ 5,424**	$ 5,667
Total interest income	**2,741**	2,860	**5,424**	5,667
INTEREST EXPENSE				
Note payable to CoBank	**729**	875	**1,494**	1,755
Other	**57**	42	**109**	75
Total interest expense	**786**	917	**1,603**	1,830
Net interest income	**1,955**	1,943	**3,821**	3,837
Loan loss reversal	**(31)**	(4)	**(179)**	(1)
Net interest income after loan loss reversal	**1,986**	1,947	**4,000**	3,838
NONINTEREST INCOME				
Financially related services income	**8**	9	**11**	11
Patronage refund from Farm Credit Institutions	**178**	199	**359**	420
Other noninterest income	**20**	4	**38**	23
Total noninterest income	**206**	212	**408**	454
NONINTEREST EXPENSE				
Salaries and employee benefits	**417**	466	**1,202**	942
Occupancy and equipment	**34**	28	**63**	52
Farm Credit Insurance Fund premium	**35**	35	**84**	81
Supervisory and examination costs	**30**	29	**59**	59
Other noninterest expense	**237**	198	**539**	424
Total noninterest expense	**753**	756	**1,947**	1,558
Income before income taxes	**1,439**	1,403	**2,461**	2,734
Provision for income taxes	**116**	109	**175**	156
Net income	**$ 1,323**	$ 1,294	**$ 2,286**	$ 2,578

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited and In Thousands)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2012	$ 746	$ 75,334	$ 76,080
Net income	-	2,578	2,578
Capital stock and participation certificates issued	34	-	34
Capital stock and participation certificates retired	(35)	-	(35)
Balance at June 30, 2013	$ 745	$ 77,912	$ 78,657
Balance at December 31, 2013	$ 744	$ 81,053	$ 81,797
Net income	-	2,286	2,286
Capital stock and participation certificates issued	42	-	42
Capital stock and participation certificates retired	(169)	-	(169)
Balance at June 30, 2014	**$ 617**	**$ 83,339**	**$ 83,956**

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

NOTES TO FINANCIAL STATEMENTS
(Unaudited and In Thousands, Except Where Noted)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit Services of Colusa-Glenn, 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, 2013, are contained in the 2013 Annual Report to Shareholders. These unaudited second quarter 2014 financial statements should be read in conjunction with the 2013 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2013, as contained in the 2013 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2014. Descriptions of the significant accounting policies are included in the 2013 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Certain amounts in the prior period financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

Loan Portfolio

A summary of the Association's loan portfolio as of June 30, 2014, and December 31, 2013, is as follows:

	June 30, 2014			December 31, 2013		
	Principal	Interest	Total	Principal	Interest	Total
Real estate mortgage	$ 188,580	$ 3,336	$ 191,916	$ 181,691	$ 1,664	$ 183,355
Production and intermediate-term	70,869	508	71,377	103,470	613	104,083
Agribusiness	27,387	447	27,834	22,417	67	22,484
Total loans	$ 286,836	$ 4,291	$ 291,127	$ 307,578	$ 2,344	$ 309,922

Participations Purchased and Sold

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following tables present information regarding the principal balances of participations purchased and sold as of June 30, 2014, and December 31, 2013:

	June 30, 2014	
	Purchased	Sold
Other Farm Credit Institutions:		
Real estate mortgage	$ 8,927	$ 13,939
Production and intermediate-term	942	575
Agribusiness	1,402	-
Subtotal	11,271	14,514
Non-Farm Credit Institutions:		
Real estate mortgage	-	214
Subtotal	-	214
All Institutions:		
Real estate mortgage	8,927	14,153
Production and intermediate-term	942	575
Agribusiness	1,402	-
Total	$ 11,271	$ 14,728

	December 31, 2013	
	Purchased	Sold
Other Farm Credit Institutions:		
Real estate mortgage	$ 7,353	$ 10,315
Production and intermediate-term	3,180	1,417
Agribusiness	1,445	53
Subtotal	11,978	11,785
Non-Farm Credit Institutions:		
Real estate mortgage	-	214
Subtotal	-	214
All Institutions:		
Real estate mortgage	7,353	10,529
Production and intermediate-term	3,180	1,417
Agribusiness	1,445	53
Total	$ 11,978	$ 11,999

Loans by Credit Class

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of as of June 30, 2014, and December 31, 2013:

	June 30, 2014	December 31, 2013
Real estate mortgage:		
Acceptable	98.03%	97.80%
OAEM	0.56%	1.67%
Substandard	1.41%	0.53%
Subtotal	100.00%	100.00%
Production and intermediate-term:		
Acceptable	98.87%	97.72%
OAEM	0.64%	2.03%
Substandard	0.48%	0.25%
Loss	0.01%	0.00%
Subtotal	100.00%	100.00%
Agribusiness:		
Acceptable	100.00%	100.00%
Subtotal	100.00%	100.00%
Total Loans:		
Acceptable	98.43%	97.93%
OAEM	0.53%	1.67%
Substandard	1.04%	0.40%
Loss	0.00%	0.00%
Total	100.00%	100.00%

High Risk Assets

High risk assets consist of impaired loans and other property owned. The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment. These nonperforming assets (including related accrued interest) and related credit quality as of June 30, 2014, and December 31, 2013, are as follows:

	June 30, 2014	December 31, 2013
Nonaccrual loans		
Real estate mortgage	$ 27	$ 969
Production and intermediate-term	205	400
Total nonaccrual loans	232	1,369
Total high risk assets	$ 232	$ 1,369

Impaired Loan Information

Additional impaired loan information as of June 30, 2014, and December 31, 2013, is as follows:

	June 30, 2014	
	Recorded Investment	Unpaid Principal Balance
Impaired loans with no related allowance for credit losses:		
Real estate mortgage	$ 27	$ 34
Production and intermediate-term	205	1,619
Agribusiness:		
Farm-related business	-	19
Total impaired loans	$ 232	$ 1,672

	December 31, 2013	
	Recorded Investment	Unpaid Principal Balance
Impaired loans with no related allowance for credit losses:		
Real estate mortgage	$ 969	$ 1,337
Production and intermediate-term	400	1,971
Agribusiness:		
Farm-related business	-	23
Total impaired loans	$ 1,369	$ 3,331

There were no impaired loans with related allowance for credit losses at June 30, 2014, and December 31, 2013.

The following table provides average impaired loans as of June 30, 2014:

	For the three months ended June 30, 2014	For the six months ended June 30, 2014
Impaired loans with no related allowance for credit losses:		
Real estate mortgage	$ 467	$ 885
Production and intermediate-term	68	34
Total impaired loans	$ 535	$ 919

Interest income on average impaired loans was -0- for the three and six months ended June 30, 2014.

Past Due Loans

The following tables provide an age analysis of past due loans as of June 30, 2014, and December 31, 2013 (including accrued interest):

As of June 30, 2014	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 191,916	$ 191,916	$ -
Production and intermediate-term	338	-	338	71,039	71,377	-
Agribusiness	110	-	110	27,724	27,834	-
Total	$ 448	$ -	$ 448	$ 290,679	$ 291,127	$ -

As of December 31, 2013	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ 29	$ 29	$ 183,326	$ 183,355	$ -
Production and intermediate-term	454	104	558	103,525	104,083	-
Agribusiness	-	-	-	22,484	22,484	-
Total	$ 454	$ 133	$ 587	$ 309,335	$ 309,922	$ -

Allowance for Loan Losses

A summary of changes in the allowance for loan losses and period-end recorded investment in loans is as follows:

	Balance at March 31, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2014
Real estate mortgage	$ 341	$ -	$ -	$ 139	$ 480
Production and intermediate-term	913	-	-	(185)	728
Agribusiness	46	-	-	14	60
Total	$ 1,300	$ -	$ -	$ (32)	$ 1,268

	Balance at December 31, 2013	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2014
Real estate mortgage	$ 355	$ -	$ -	$ 125	$ 480
Production and intermediate-term	1,041	-	1	(314)	728
Agribusiness	50	-	-	10	60
Total	$ 1,446	$ -	$ 1	$ (179)	$ 1,268

	Balance at March 31, 2013	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2013
Real estate mortgage	$ 298	$ -	$ -	$ 58	$ 356
Production and intermediate-term	1,051	-	-	(77)	974
Agribusiness	20	-	-	15	35
Total	$ 1,369	$ -	$ -	$ (4)	$ 1,365

	Balance at December 31, 2012	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2013
Real estate mortgage	$ 321	$ -	$ -	$ 35	$ 356
Production and intermediate-term	1,021	-	2	(49)	974
Agribusiness	21	-	-	14	35
Total	$ 1,363	$ -	$ 2	$ -	$ 1,365

Individual and Collective Impairment Evaluation

A summary of the Association's individual and collective impairment evaluation as of June 30, 2014, and December 31, 2013 is as follows (including accrued interest):

	Allowance for Credit Losses		Recorded Investments in Loans Outstanding		
As of June 30, 2014	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 480	$ 27	$ 191,889	$ 191,916
Production and intermediate-term	-	728	205	71,172	71,377
Agribusiness	-	60	-	27,834	27,834
Total	$ -	$ 1,268	$ 232	$ 290,895	$ 291,127

	Allowance for Credit Losses		Recorded Investments in Loans Outstanding		
As of December 31, 2013	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 355	$ 969	$ 182,386	$ 183,355
Production and intermediate-term	-	1,041	400	103,683	104,083
Agribusiness	-	50	-	22,484	22,484
Total	$ -	$ 1,446	$ 1,369	$ 308,553	$ 309,922

Troubled Debt Restructuring

A restructuring of a debt constitutes a troubled debt restructuring ("TDR") if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association recorded no TDRs during the six months ended June 30, 2014. The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the period.

NOTE 3 - CAPITAL

The Association issues the following classes of common stock: class C common stock and class F non-voting stock. At June 30, 2014, the required common investment was the lesser of $1,000 or 2% of loan volume per voting stockholder.

NOTE 4 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 5, 2014, which is the date the financial statements were issued, and no material subsequent events were identified.