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August 10, 2011

Dear Western AgCredit Stockholders and Friends,

On August 8, 2011, Standard & Poor's Rating Services lowered the long-term debt rating for the Farm Credit System to AA+ from the previous rating of AAA. Standard and Poor's affirmed the short-term rating at A-1+. The one notch decrease in the Farm Credit rating paralleled the decrease that Standard & Poor's assigned to the United States sovereign credit rating on August 5, 2011. The other major rating agencies (Moody's Investment Service and Fitch Ratings) left both the US and Farm Credit ratings at AAA, but both will re-evaluate their assigned ratings in the near future.


Why was Farm Credit's credit rating downgraded? Once Standard & Poor's decided to downgrade the sovereign debt of the United States, it was only a matter of time until all Government Sponsored Entities (GSEs) also had their ratings downgraded. Farm Credit was the first GSE formed in 1913. Subsequent to Farm Credit, the Government formed other GSEs such as Freddie Mac, Fannie Mae, and the Federal Home Loan Banks. Each GSE was formed for a specific reason, with Farm Credit's mission being the financing of rural America. Even though Farm Credit was initially started with Government funds, Farm Credit repaid the Government in full, and is today operated with 100% private money.

What is the impact of the Farm Credit downgrade on the Farm Credit System, Western AgCredit and Western AgCredit's Stockholders? The Farm Credit System remains in a position of financial strength and the System's capacity to repay debt maturities and interest payments remain strong. At the National level, demand for Farm Credit debt issuances remains very strong. Unlike the other GSEs mentioned earlier in this letter, Farm Credit's financial performance remains the "envy" of the financial sector. Farm Credit did not incur any of the severe financial adversity that pounded the commercial banking sector, nor did Farm Credit require any form of financial bailout or TARP money as the result of events that occurred in 2008-2010. At our local level, Western AgCredit remains very well capitalized, our earnings are significantly above plan, and our credit quality is very high. Past performance doesn't guarantee future success, but it's interesting to note that in the days since Standards & Poor's downgraded the US and GSE debts, our cost of borrowing money has actually decreased. We do not anticipate any future restrictions in our ability to access the financial markets to meet the needs of our Stockholders.

What will happen if there are future downgrades in ratings? Farm Credit has been told by the rating agencies that the Farm Credit System has earned a AA rating based on its own financial position. One of the largest concerns the rating agencies have for Farm Credit is we are a single industry lender (agriculture). What they consider a weakness, we consider one of our largest strengths. If the US sovereign debt is downgraded lower than a AA, we do not expect Farm Credit's rating would be lowered proportionately.

We feel very strongly that both the Farm Credit System and Western AgCredit are well positioned to face any financial adversity that we may encounter. Please feel free to contact President Weathered if you have any questions.

Sincerely,


Richard V. Nielson
Chairman of the Board


Richard Weathered
President

