



Dear Shareholders,

Based on recent developments the Directors of Farm Credit of New Mexico would like to notify you of the pursuit of merger between our funding bank U.S. AgBank and CoBank. Your Directors and Management are fully supportive of this merger and have completed extensive analysis of the consolidation of these two banks. This pursued merger presents itself to be beneficial providing diversification to the consolidated bank and added value products for our shareholders. Below is the banks press release dated December 16, 2010 announcing the pursuit of merger. Should you have any questions, please contact your local branch or myself at 505-875-6073.

Sincerely,

Alfred E. Porter, Jr.
President



U.S. AgBank and CoBank Announce Pursuit of Merger

Merger Proposal Requires Approval Of Banks' Stockholders And Farm Credit Administration

WICHITA, KANSAS, AND DENVER, COLORADO (December 16, 2010) - U.S. AgBank and CoBank, two of the five banks in the Farm Credit System, announced today that they intend to pursue a merger in 2011. Yesterday, the banks' boards of directors executed a Letter of Intent that sets forth key terms and conditions of the proposed transaction, which also requires regulatory and stockholder approval.

The merged bank would serve as a wholesale provider of financing to Farm Credit associations that provide credit and financial services to more than 70,000 farmers, ranchers and other rural borrowers in 23 states. It would also serve as a direct lender to agribusinesses and rural electric, water and communications service providers throughout the country.

The merged bank would continue to do business under the CoBank name and be headquartered outside Denver, Colorado, but it would maintain U.S. AgBank's existing presence and operations in Wichita, Kansas, and Sacramento, California. Robert B. Engel, CoBank's president & chief executive officer, would be the chief executive of the combined entity.

"Over the course of the past year, the U.S. AgBank board has engaged in a strategic review of our business to determine the course that would best serve our associations and the farmers and ranchers in

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our territory for the long term," said John Eisenhut, chairman of U.S. AgBank. "Throughout that very deliberate process, we have followed the guiding principle that we will pursue the solution that best positions our customers to continue receiving reliable credit at a reasonable and competitive cost. The AgBank board has determined that a merger with CoBank best achieves that principle, and we look forward to working closely with CoBank as we move to the next steps in the merger review and approval process."

"We're extremely pleased to be pursuing this transaction, which offers significant benefits to the customer-owners of both organizations," said Everett Dobrinski, chairman of CoBank. "The merger will bring together two financially sound, profitable banks to create an even stronger cooperative financial services institution, under a governance structure that will offer associations, cooperatives and other customer-owners a fair and equitable voice in the governance process. Our two boards are strongly aligned around the merits of the merger, which we believe significantly enhances the banks' ability to fulfill their mission of service to rural America."

U.S. AgBank is headquartered in Wichita and provides wholesale loan funds and financial services to Farm Credit Associations and Other Financing Institutions (OFIs) in the states of Arizona, California, Colorado, Hawaii, Kansas, Nevada, New Mexico, Oklahoma, Utah, southeastern Idaho and the western edge of Wyoming. It had approximately \$25 billion in total assets at September 30, 2010.

CoBank is headquartered in Denver, Colorado, and provides wholesale funds to Farm Credit associations serving Alaska, Connecticut, Idaho, Maine, Massachusetts, Montana, New Hampshire, New Jersey, New York, Oregon, Rhode Island, Vermont and Washington. The bank also provides retail loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications service providers in all 50 states. CoBank had approximately \$60 billion in total assets at September 30, 2010.

Engel noted that the geographic diversity of the merged bank's service territory would be matched by the diversity of the industries served, which would include virtually every key agricultural commodity as well as infrastructure providers that help form the backbone of rural communities throughout the country.

"The merged bank will enjoy substantial diversification benefits through the combination of two highly complementary loan portfolios, enhancing its ability to withstand risk," Engel said. "Its varied and diversified income streams will protect customer-owners in volatile market conditions, and the bank will have a robust capacity to generate earnings, build capital and deliver patronage to its customer-owners for generations to come."

Darryl W. Rhodes, chief executive officer of U.S. AgBank, who will be retiring shortly after the merger effective date, said the merger would create a larger pool of capital over which to spread risk and create a portfolio in which wholesale loan risk is well balanced with retail loan risk. "In addition, the merger would strengthen human capital by combining the AgBank staff expertise in wholesale lending services with the wholesale and retail lending expertise of CoBank. Staff reductions are not planned as part of the merger. This merger is all about strengthening the organization for the future and not about cost reductions," Rhodes said.

Jamie Stewart, president and chief executive officer of the Federal Farm Credit Banks Funding Corporation, the entity that issues debt securities that all System institutions use to fund loans, said: "While the financial markets generally view the Farm Credit System as one entity, investors and rating agencies are very familiar with both CoBank and U.S. AgBank as individual institutions. Given the

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diversification benefits of this transaction, we expect the merger will be viewed in a very positive light and further strengthen the appeal of our securities to investors."

The merged bank would continue to be organized and operate as a cooperative, with eligible borrowers earning cash and equity patronage based on the amount of business they do with the organization. On the effective date of the merger, the CoBank and U.S. AgBank boards would be temporarily combined. Following a transition period, the merged bank's board would have directors elected from six regions across the country under both a one-member-one-vote and modified equity basis - an arrangement that has been successfully used at CoBank for over 20 years. The board would also have a number of outside and appointed directors. Complete details on the governance structure will be provided to stockholders in mid-2011 when merger disclosure materials are finalized.

"Good governance is at the heart of the cooperative model, and we are committed to a governance structure that will serve our owners and the bank effectively for the long term," Dobrinski said.

Detailed due diligence will soon be underway by both banks. There will also be a formal effort to solicit input from the other Farm Credit Banks and other System institutions on the impacts and implications the merger might have at the System level. In late March, the banks plan to submit a merger disclosure document to the Farm Credit Administration (FCA), the independent regulator for the Farm Credit System, for its review and preliminary approval.

The merger proposal will also need to be presented to and approved by stockholders of the two banks. If stockholders endorse the transaction, the merger is expected to close on October 1, 2011.

About U.S. AgBank

U.S. AgBank provides loan funds and financial services to Agricultural Credit Associations (ACAs), Federal Land Credit Associations (FLCAs), and other financing institutions across 11 states. Headquartered in Wichita, Kansas, the bank has approximately \$25 billion in total assets. Through its associations, the bank supports the credit and financial services needs of farmers, ranchers and other rural borrowers throughout its lending territory. For more information about U.S. AgBank, visit the bank's web site at www.usagbank.com.

About CoBank

CoBank is a \$60 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. In addition to serving its direct retail borrowers, the bank also provides wholesale loans and other financial services to affiliated Farm Credit associations and other partners across the country. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore. For more information about CoBank, visit the bank's web site at www.cobank.com.

About Farm Credit

U.S. AgBank and CoBank are members of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy. For more information about the Farm Credit System, visit www.farmcredit.com.

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