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FARMERS & MERCHANTS BANCORP  
Form DEF 14A  
April 20, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14A  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
(AMENDMENT NO.)

Filed by the Registrant  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement
- [ ] Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [X] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Pursuant to Sec. 240.14a-11(c) or Sec. 240.14a-12

FARMERS & MERCHANTS BANCORP

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(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)  
Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
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- [ ] Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:  
(2) Form, Schedule or Registration Statement No.:  
(3) Filing Party:  
(4) Date Filed:

FARMERS & MERCHANTS BANCORP  
111 WEST PINE STREET, LODI, CA 95240-2184

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April 20, 2007

Dear Stockholder:

The annual meeting of stockholders of Farmers & Merchants Bancorp (the "Company") will be held this year in the Ole Mettler Grape Pavilion at the Lodi Grape Festival, 413 E. Lockeford Street, Lodi, CA, on Monday, May 21, 2007, at 4:00 p.m. We look forward to your attendance.

The enclosed proxy statement describes the business to be conducted at the annual meeting, which includes the election of Directors, proposed amendments to the Company's Certificate of Incorporation and Bylaws, and any other matters which properly come before the meeting.

A copy of the Company's 2006 Annual Report to Stockholders is also enclosed.

We hope you will be able to attend the annual meeting in person. We would also like to invite you to be our guest for dinner after the meeting. PLEASE NOTE THAT THE ANNUAL MEETING IS ONLY OPEN TO STOCKHOLDERS AND SPOUSES. SPACE WILL BE LIMITED AND WE CANNOT ACCOMMODATE OTHER GUESTS. We thank you in advance for your understanding on this issue.

The Directors and senior management greatly appreciate the interest expressed by our stockholders. Whether or not you plan to attend the annual meeting, it is important that you are represented and that your shares are voted. Accordingly, after reviewing the enclosed proxy statement, we ask you to complete, sign and date the enclosed proxy card and return it as soon as possible in the postage-paid envelope that has been provided for your convenience.

Sincerely,

/s/ Ole R. Mettler

/s/ Kent A. Steinwert

Ole R. Mettler  
Chairman of the Board

Kent A. Steinwert  
President and Chief Executive Officer

Enclosures

FARMERS & MERCHANTS BANCORP  
111 WEST PINE STREET, LODI, CA 95240-2184

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 21, 2007

To our Stockholders:

NOTICE IS HEREBY GIVEN that the 2007 annual meeting of stockholders of Farmers & Merchants Bancorp (the "Company") will be held this year in the Ole Mettler Grape Pavilion at the Lodi Grape Festival, 413 E. Lockeford Street, Lodi, CA, on Monday, May 21, 2007, at 4:00 p.m. to:

1. Elect the following ten (10) Directors:

Stewart C. Adams, Jr.  
Ralph Burlington

Carl A. Wishek, Jr.  
Kevin Sanguinetti

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Edward Corum, Jr.  
Robert F. Hunnell  
Calvin (Kelly) Suess

Kent A. Steinwert  
Ole R. Mettler  
James E. Podesta

2. Approve an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares outstanding.
3. Approve an amendment to the Company's Certificate of Incorporation to authorize Director amendments to the By-Laws.
4. Approve an amendment to the Company's By-Laws to adjust the range of Directors.
5. Act upon such other matters as may properly come before such annual meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 26, 2007 as the record date for determining the holders of the common stock of the Company entitled to notice of, and to vote at, the annual meeting and any adjournments thereof. A complete list of stockholders entitled to vote will be available for inspection by stockholders of record at the office of the Secretary of the Company at 111 West Pine Street, Lodi, CA for the ten days prior to the meeting.

You are encouraged to attend the annual meeting. If you are a beneficial owner of common stock held by a broker, bank or other nominee, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or a letter from a bank or broker are examples of proof of ownership.

Please complete, sign and date, as promptly as possible, the enclosed proxy and immediately return it in the envelope provided for your use. This is important whether or not you plan to attend the annual meeting in person. The giving of such proxy will not affect your right to revoke such proxy or to vote in person, should you attend the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS,

/s/ Deborah Hodkin

Deborah Hodkin  
Secretary

Dated: April 20, 2007

YOUR VOTE IS IMPORTANT  
TO INSURE YOUR VOTE IS REPRESENTED, YOU ARE URGED TO COMPLETE, SIGN, DATE AND  
PROMPTLY RETURN YOUR PROXY.

FARMERS & MERCHANTS BANCORP  
PROXY STATEMENT  
TABLE OF CONTENTS

	Page
	----
I - INTRODUCTION . . . . .	.1
II - CORPORATE GOVERNANCE . . . . .	.1
Board Matters	

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Code of Ethics  
Director Independence  
Board of Directors Meetings  
Committees of the Board of Directors  
Director Compensation  
Certain Relationships and Related Person Transactions  
Indemnification  
Communications with Board of Directors

III - EXECUTIVE COMPENSATION . . . . .6  
Compensation Discussion and Analysis  
Report of the Personnel Committee of the Board on Executive Compensation  
Executive Officer Compensation  
Compensation Committee Interlocks and Insider Participation

IV - AUDIT RELATED MATTERS. . . . . 16  
Report of the Audit Committee of the Board of Directors  
Certain Accounting Matters  
Audit-Related Fees

V - ITEMS TO BE VOTED ON . . . . . 18  
Proposal 1 - Election of Directors  
Proposal 2 - Amendment of Certificate of Incorporation to Increase the Number of  
Authorized Shares  
Proposal 3 - Amendment of Certificate of Incorporation to Authorize Director  
Amendments to the By-Laws  
Proposal 4 - Amendment of the By-Laws to Adjust the Range of Directors

VI - INFORMATION ABOUT VOTING AND THE ANNUAL MEETING. . . . . 22  
Voting Rights and Vote Required  
Voting of Proxies - Quorum  
Revocability of Proxy

VII - OTHER INFORMATION. . . . . 24  
Compliance with Section 16(a) of the Exchange Act  
Security Ownership of Certain Beneficial Owners and Management  
Annual Report  
Stockholder Proposals, Nominations and Notices  
Other Matters

EXHIBITS. . . . . 27

APPENDICES. . . . . 35

PROXY STATEMENT  
FARMERS & MERCHANTS BANCORP  
111 WEST PINE STREET, LODI, CA 95240-2184

I - INTRODUCTION

This proxy statement is furnished to the stockholders of Farmers & Merchants Bancorp (the "Company") in connection with the solicitation of proxies by the Board of Directors of the Company to be used in voting at the annual meeting of stockholders to be held on May 21, 2007 in the Ole Mettler Pavilion at the Lodi Grape Festival, 413 E. Lockeford Street, Lodi, CA at 4:00 p.m., and at any adjournment or postponement thereof. All expenses incidental to the preparation and mailing, or otherwise making available to all stockholders of the notice, proxy statement and form of proxy will be paid by the Company. This

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proxy statement and the enclosed proxy card are being mailed to the Company's stockholders on or about April 20, 2007.

For information on how to vote your shares, see the instructions included on the enclosed proxy card and under "Information About Voting and the Annual Meeting".

### II - CORPORATE GOVERNANCE

#### BOARD MATTERS

During 2006, the Board of Directors was comprised of eleven (11) members. In December 2006, Mr. Harry Schumacher, a Director since 1997, passed away. Since the Company's By-Laws: (i) authorize the number of Directors to be between nine (9) and fifteen (15), and (ii) authorize the Board of Directors to establish the exact number of Directors within these limits, the Board has established the number of Directors at ten (10).

#### CODE OF ETHICS

The Company has adopted a Code of Conduct which complies with the Code of Ethics requirements of the Securities and Exchange Commission. A copy of the Code of Conduct is posted on the Company's website. The Company intends to disclose promptly any amendment to, or waiver from any provision of, the Code of Conduct applicable to executive officers and Directors, on its website. The Company's website address is [www.fmbonline.com](http://www.fmbonline.com).

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#### DIRECTOR INDEPENDENCE

The Company uses Rule 4200(a)(15) of the NASD's current listing standards to determine whether a Director is independent. With the exception of Messrs. Steinwert, Mettler and Wishek who are employees of the Company, all nominees are considered to be "independent".

#### BOARD OF DIRECTORS MEETINGS

During the calendar year ending December 31, 2006, the Board of Directors of the Company met fifteen (15) times and the Board of Directors of the Bank met twenty-four (24) times. Each incumbent, with the exception of Mr. Schumacher who passed away in December 2006, attended more than 75% of the meetings of the Board of Directors. The Company expects Directors to attend the annual meeting of stockholders and eight of eleven Directors attended in 2006.

1

#### COMMITTEES OF THE BOARD OF DIRECTORS

The Company's principal asset is its wholly-owned subsidiary, Farmers & Merchants Bank of Central California (the "Bank"). The Directors of the Company are also Directors of the Bank. As such, Bank Committees supervise and review the activities of the Bank, which in turn report to the Company's Board of Directors.

#### AUDIT COMMITTEE

The Audit Committee of the Company and the Bank oversees the activities of the internal and independent auditors of the Company and the Bank with the aim of ensuring compliance with applicable laws. See Exhibit A for the Committee's charter. The Audit Committee reports to the Boards of Directors of the Bank and the Company, as appropriate. The Audit Committee reviews the reports of

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audits and examinations of the Bank and the Company made by the independent auditors, internal auditors, credit examiners, and regulatory agencies and reports the results to the Boards of Directors of the Bank and the Company. The Committee met thirteen (13) times in 2006 and is comprised of the following members: Messrs. Sanguinetti (Chairman), Corum and Hunnell. Each of the Directors serving on the Audit Committee has been determined by the Board of Directors to be "independent" as such term is defined by Rule 4200(a)(15) of the NASD's current listing standards and in SEC rules relating to audit committees. Mr. Sanguinetti has been determined by the Board of Directors to be a "financial expert".

### PERSONNEL COMMITTEE

The Personnel Committee of the Company and the Bank (1) conducts reviews of the Company's overall compensation strategies and practices; (2) reviews and approves the employment contracts of all executive officers (see "Employment Contracts"); and (3) annually establishes executive compensation levels and performance evaluation measures for the Chief Executive Officer and the other executive officers of the Company. See Exhibit B for the Committee's charter.

The Company's management (1) provides information, analysis and recommendations for the Personnel Committee; and (2) manages the ongoing operations of the compensation program.

In discharging its responsibilities, the Personnel Committee (1) obtains independent data from industry publications and third-party research; and (2) retains independent third-party consultants when it considers it to be necessary (the Committee did not retain independent consultants during 2006).

The Personnel Committee is comprised of the following voting members: Messrs. Adams (Chairman), Corum and Sanguinetti. The Committee met four (4) times in 2006. Each of the Directors serving on the Personnel Committee has been determined by the Board of Directors to be "independent" as such term is defined by Rule 4200(a)(15) of the NASD's current listing standards.

### ASSET AND LIABILITY MANAGEMENT COMMITTEE

The Asset and Liability Management Committee of the Company and the Bank is responsible for the formulation, revision and administration of the Bank's policies relating to interest rate, liquidity and investment risk management. The Asset and Liability Committee is a joint committee of management and Directors. The following Directors are voting members: Messrs. Burlington (Co-Chairman), Adams, Suess and Steinwert. The Committee met five (5) times in 2006.

### LOAN COMMITTEE

The Loan Committee of the Company and the Bank is responsible for the formulation, revision and administration of the Bank's policy relating to credit and loan risk management. The Loan Committee meets weekly and is responsible for approving all loans between \$2 million and \$10 million (over \$10 million requires full Board approval) and reviewing all loans over \$500,000. The Loan

2

Committee is a joint committee of management and Directors. The following Directors are voting members: Messrs. Hunnell (Co-Chairman), Mettler and Steinwert. The Committee met fifty (50) times in 2006.

### EXPENSE COMMITTEE

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The Expense Committee of the Company and the Bank reviews and examines Bank and Company expenses on a monthly basis comparing the results with the established annual budget, the previous month and prior year, and proposes recommendations to management regarding controllable expenses. The Committee met twelve (12) times in 2006 and is comprised of the following voting members: Messrs. Podesta (Chairman), Suess and Wishek.

### CRA COMMITTEE (COMMUNITY REINVESTMENT ACT)

The CRA Committee of the Company and the Bank monitors the Bank's efforts and responsibilities to comply with the Community Reinvestment Act. The CRA Committee makes recommendations to the Board of Directors to assure the Bank is meeting the credit, investment and service needs of the communities it serves. The Committee met twelve (12) times in 2006 and is comprised of the following voting members: Messrs. Suess (Chairman), Adams, Podesta and Wishek.

### NOMINATING COMMITTEE

The Nominating Committee of the Company and the Bank identifies candidates to serve as Directors of the Bank and the Company in the event of future Board openings. See Exhibit C for the Committee's charter. The Committee is comprised of the following voting members: Messrs. Mettler, Steinwert (Chairman), Suess and Hunnell. The Committee did not meet in 2006. Each of Messrs. Suess and Hunnell has been determined by the Board of Directors to be "independent" as such term is defined by Rule 4200(a)(15) of the NASD's current listing standards.

The Nominating Committee will consider candidates nominated by the stockholders of the Company for next year's meeting if the nomination is made in writing in accordance with Article III, Section 3.4 of the By-Laws of the Company. See "Stockholder Proposals, Nominations and Notices".

### DIRECTOR COMPENSATION

A Director who is not an employee of the Company receives a \$1,000 fee for each Bank Board Meeting attended (no additional fees are paid for Company Board meetings), and a \$400 fee for each Committee Meeting attended (Committee Chairmen receive \$600 with the exception of the Audit Committee Chairman who receives \$750). In addition, each Director who is not an employee of the Company received a \$30,000 bonus in 2006. Directors may elect to defer receipt of some or all Directors' fees under the Company's Deferred Compensation Plan.

Directors who are employees of the Company (Messrs. Mettler, Steinwert and Wishek) do not receive additional compensation for their services as Directors.

Directors who are not employees of the Company are compensated up to \$538 per month to cover a portion of the cost of outside medical insurance. Directors who are not employees of the Company do not participate in any retirement plans.

The summary compensation earned by each Director during 2006 is disclosed in the "Director Compensation Table" on the following page.

2006 DIRECTOR COMPENSATION TABLE

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NAME	(1) (2) FEES EARNED OR PAID IN CASH (\$)	(3) STOCK AWARDS (\$)	(3) OPTION AWARDS (\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$)	PENSION VALUE & NONQUALIFIED DEFERRED COMPENSATION EARNINGS (\$)
Kent A. Steinwert	\$ -	\$ -	\$ -	\$ -	\$ -
Stuart C. Adams, Jr.	\$ 64,300	\$ -	\$ -	\$ -	\$ -
Ralph Burlington	\$ 56,800	\$ -	\$ -	\$ -	\$ -
Edward Corum, Jr.	\$ 61,800	\$ -	\$ -	\$ -	\$ -
Robert F. Hunnell	\$ 87,500	\$ -	\$ -	\$ -	\$ -
Ole R. Mettler	\$ -	\$ -	\$ -	\$ -	\$ -
James E. Podesta	\$ 59,500	\$ -	\$ -	\$ -	\$ -
Kevin Sanguinetti	\$ 60,200	\$ -	\$ -	\$ -	\$ -
Harry C. Schumacher (6)	\$ 48,050	\$ -	\$ -	\$ -	\$ -
Calvin (Kelly) Suess	\$ 65,000	\$ -	\$ -	\$ -	\$ -
Carl A. Wishek, Jr.	\$ -	\$ -	\$ -	\$ -	\$ -