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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 Section 240.14a-12

FARMERS & MERCHANTS BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

- [X] No fee required.
 [] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which the
filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

[] Fee paid previously with preliminary materials.

[] Check box if any part of the fee is offset as provided by Exchange Act
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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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CONTAINED IN THIS FORM ARE NOT REQUIRED TO RESPOND UNLESS THE FORM DISPLAYS A
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SEC 1913 (02-02)

March 16, 2007

Dear Fellow Shareholders:

I am pleased to invite you to attend the Annual Meeting of Shareholders of Farmers & Merchants Bancorp, Inc. The meeting will be held at Founders Hall, located at Sauder Village, State Route 2, Archbold, Ohio 43502 on APRIL 21, 2007 AT 1:00 P.M., (LOCAL TIME).

The only item to be considered at this year's Annual Meeting is the election of directors. The meeting will also provide an opportunity to review with you the results of Farmers & Merchants Bancorp, Inc. and its subsidiaries during 2006.

YOUR VOTE IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN. I ENCOURAGE YOU TO READ THE PROXY STATEMENT CAREFULLY AND THEN TO VOTE YOUR SHARES. IF YOU CHOOSE NOT TO ATTEND THE ANNUAL MEETING OF SHAREHOLDERS, YOU MAY VOTE BY MAIL BY SIGNING, DATING AND RETURNING THE PROXY CARD IN THE ACCOMPANYING ENVELOPE. IF YOU HOLD SHARES OF FARMERS & MERCHANTS BANCORP, INC. COMMON STOCK DIRECTLY IN YOUR NAME, YOU MAY ALSO VOTE OVER THE INTERNET OR BY TELEPHONE. INTERNET AND TELEPHONE VOTING INSTRUCTIONS ARE PRINTED ON THE PROXY CARD SENT TO YOU.

If you do attend the meeting and desire to vote in person, you may do so even though you have previously submitted your proxy. In that case, your vote at the meeting would supersede your proxy.

Please also return the attached reservation form for the sit down luncheon that will start at 12:00 Noon.

We look forward to seeing you at the meeting.

Sincerely,

Farmers & Merchants Bancorp, Inc.

/s/ Joe E. Crossgrove

Joe E. Crossgrove, Chairman

FARMERS & MERCHANTS BANCORP, INC.
307-11 NORTH DEFIANCE ST.
ARCHBOLD, OHIO 43502-0216
(419) 446-2501

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD

APRIL 21, 2007

To Our Shareholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Farmers & Merchants Bancorp, Inc., an Ohio corporation ("Corporation"), will be held at Founders Hall, located at Sauder Village, State Route 2, Archbold, Ohio 43502 on APRIL 21, 2007 AT 1:00 P.M., (LOCAL TIME), for the following purposes:

1. ELECTION OF DIRECTORS - To elect the following fourteen (14) nominees to the Board of Directors to serve until the Annual Meeting of Shareholders in 2008:

Dexter L. Benecke
Joe E. Crossgrove
Steven A. Everhart
Robert G. Frey
Jack C. Johnson
Dean E. Miller
Anthony J. Rupp
David P. Rupp, Jr.
James C. Saneholtz
Kevin J. Sauder
Paul S. Siebenmorgen
Merle J. Short
Steven J. Wyse
Betty K. Young

2. OTHER BUSINESS - To transact any other business which may properly come before the meeting or any adjournment of it.

The Board of Directors has fixed the close of business on March 6, 2007, as the record date for determination of shareholders who are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

/s/ Lydia A. Huber

Lydia A. Huber, Secretary

Archbold, Ohio
March 16, 2007

If the enclosed proxy statement and annual report are being delivered to two or more security holders who share the same address, and the security holders sharing the same address each desires to receive a proxy statement and annual report, or if there are more than one copy of the proxy statement and annual report being delivered to security holders who share the same address, and it is preferred to receive a single copy of such proxy statement and annual report, please notify Ms. Lydia Huber, Secretary of Farmers & Merchants Bancorp, Inc. This request should be in writing addressed to Ms. Huber at Farmers & Merchants Bancorp, Inc., 307-11 North Defiance St., Archbold, Ohio 43502-0216. If you have questions, please contact Ms. Huber by telephone at 419-446-2501.

YOUR VOTE IS IMPORTANT. EVEN IF YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE OR FOLLOW THE VOTING INSTRUCTIONS FOR INTERNET OR TELEPHONE VOTING ENCLOSED IF YOU ARE A SHAREHOLDER OF RECORD.

SHAREHOLDERS WHOSE SHARES ARE REGISTERED IN THE NAME OF A BANK OR BROKERAGE FIRM MAY BE ELIGIBLE TO VOTE ELECTRONICALLY THROUGH THE INTERNET OR BY TELEPHONE. A LARGE NUMBER OF BANKS AND BROKERAGE FIRMS ARE PARTICIPATING IN THE ADP INVESTOR COMMUNICATION SERVICES ONLINE PROGRAM. THIS PROGRAM PROVIDES ELIGIBLE SHAREHOLDERS THE OPPORTUNITY TO VOTE VIA THE INTERNET OR BY TELEPHONE. VOTING FORMS WILL PROVIDE INSTRUCTIONS FOR SHAREHOLDERS WHOSE BANK OR BROKERAGE FIRM IS PARTICIPATING IN ADP'S PROGRAM.

YOU HAVE THE RIGHT TO REVOKE YOUR PROXY AND VOTE IN PERSON AT THE MEETING IF YOU SO CHOOSE. IF YOU HAVE ANY QUESTIONS PLEASE CONTACT MS. LYDIA A. HUBER, SECRETARY OF THE CORPORATION AT (419) 446-2501.

The Proxy Statement, proxy card and Farmers & Merchants Bancorp, Inc. 2006 Annual Report will be mailed to shareholders commencing on or about March 22, 2007.

FARMERS & MERCHANTS BANCORP, INC.

PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
APRIL 21, 2007

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Farmers & Merchants Bancorp, Inc., an Ohio corporation ("Corporation"), to be used at the Annual Meeting of Shareholders of the Corporation, to be held at Founders Hall, located at Sauder Village, State Route 2, Archbold, Ohio 43502 on April 21, 2007 at 1:00 P.M., (local time), and at any adjournments thereof, pursuant to the accompanying Notice of Meeting.

GENERAL INFORMATION ABOUT THE MEETING AND VOTING SECURITIES AND PROCEDURES

WHO MAY VOTE AT THE MEETING?

The Board of Directors has fixed the close of business on March 6, 2007 as the record date for the determination of shareholders who are entitled to notice of and to vote at the meeting. The transfer books of the Corporation will not be closed. Subject to your right to vote cumulatively in the election of directors, if properly implemented, you are entitled to one vote for each share of common stock you held on the record date, including shares:

- held directly in your name; and
- held for you in an account with a broker, bank or other nominee (shares held in "street name").

HOW MANY SHARES MUST BE PRESENT TO HOLD THE MEETING?

A majority of Farmers & Merchants Bancorp, Inc. outstanding shares of common stock as of the record date must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. On the record date there were 5,154,000 shares of the Corporation's common stock, without par value ("Common Stock") outstanding, the holders of which are entitled to one vote per share, subject to the right to vote cumulatively in the election of directors, if properly implemented. Your shares are counted as present at the meeting if you:

- are present and vote in person at the meeting; or
- have properly submitted a proxy card or have voted electronically or by telephone prior to the meeting.

Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the meeting.

WHAT PROPOSALS WILL BE VOTED ON AT THE MEETING?

The only proposal scheduled to be voted on at the meeting is the election of directors of the Corporation.

WHO IS REQUESTING MY VOTE?

The solicitation of proxies on the enclosed form is made on behalf of the Board of Directors of the Corporation and will be conducted primarily through the mail. Please mail your completed proxy in the envelope included with these proxy materials. In addition to the use of the mail, members of the Board of Directors and certain officers and employees of the Corporation or its subsidiaries may solicit the return of proxies by telephone, facsimile, and other electronic media or through personal contact. The Directors, officers and employees that participate in such solicitation will not receive additional compensation for such efforts, but will be reimbursed for out-of-pocket expenses. The cost of preparing, assembling and mailing this Proxy Statement, the Notice of Meeting and the enclosed proxy will be borne by the Corporation.

HOW MANY VOTES ARE REQUIRED TO APPROVE EACH PROPOSAL?

Directors will be elected by a plurality of the votes cast at the Annual Meeting. This means that the 14 nominees who receive the largest number of "FOR" votes cast will be elected as directors. Many of the Corporation's shareholders hold their shares in "street name"--in the name of a brokerage firm. If you hold your shares in "street name," please note that only your brokerage firm can sign a proxy on your behalf. THE BOARD OF DIRECTORS URGES YOU TO CONTACT THE PERSON RESPONSIBLE FOR YOUR ACCOUNT TODAY, AND INSTRUCT THEM TO EXECUTE A PROXY ON YOUR BEHALF FOR THE ANNUAL MEETING.

HOW ARE VOTES COUNTED?

A shareholder may:

- Vote for all of the nominees for director
- Withhold votes on all of the nominees for director
- Withhold votes for one or more nominees
- Abstain from voting

The laws of Ohio under which the Corporation is incorporated and the Corporation's Articles of Incorporation provide if notice in writing is given by any shareholder to the President, Vice President or the Secretary of the Corporation not less than 48 hours before the time fixed for holding a meeting of shareholders for the purpose of electing Directors, that he desires that the voting at that election shall be cumulative, and if an announcement of the giving of such notice is made upon the convening of the meeting by the Chairman or Secretary or by or on behalf of the shareholder giving such notice, each shareholder shall have the right to cumulate such voting power as he possesses in voting for Directors. Cumulative voting rights allow shareholders to vote the number of shares owned by them times the number of directors to be elected and to cast such votes for one nominee or to allocate such votes among nominees as they deem appropriate. Shareholders will not be entitled to exercise cumulative voting unless at least one shareholder properly notifies the Corporation of their desire to implement cumulative voting at the Annual Meeting. The Corporation is soliciting the discretionary authority to cumulate votes represented by proxy, if such cumulative voting rights are exercised.

HOW DOES THE BOARD RECOMMEND THAT I VOTE?

The Board of Directors recommends that you vote "FOR" all of the director nominees listed in proposal 1. In the absence of instruction, the proxy will be voted "FOR" the election of the management director nominees listed in this Proxy Statement and in the discretion of the proxy committee for any other business that properly comes before the meeting.

HOW DO I VOTE MY SHARES WITHOUT ATTENDING THE MEETING?

Whether you hold shares directly or in street name, you may direct your vote without attending the Annual Meeting. If you are a shareholder of record, you may vote by granting a proxy as follows:

- By Mail - You may vote by mail by signing and dating your proxy card and mailing it in the envelope provided. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example as guardian, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity.
- By Phone - You may vote by phone by calling 1-866-598-8811 and following the instructions given.
- By Internet - You may vote by internet by going to the following web site, following the instructions given and entering the requested information on your computer screen:
<https://www.proxyvotenow.com/fmao>.

Your vote by phone or internet is valid as authorized by the Ohio General Corporation Law.

For shares held in street name, you should follow the voting instructions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in some cases, submit voting instructions by telephone or the Internet. If you provide specific voting instructions by mail, telephone, or Internet, your broker or nominee will vote your shares as you have directed.

HOW DO I VOTE MY SHARES IN PERSON AT THE MEETING?

Even if you plan to attend the meeting, we encourage you to vote by mail, phone or internet so your vote will be counted if you later decide not to attend the meeting.

If you choose to vote at the Annual Meeting:

- If you are a shareholder of record, to vote your shares at the meeting you should bring the enclosed proxy card and proof of identity.
- If you hold your shares in street name, you must obtain a proxy in your name from your bank, broker or other holder of record in order to vote at the meeting.

Bring the proxy (for record holders) or proof of beneficial ownership (for street name holders) such as a recent brokerage statement or a letter from your bank or broker, and proof of identity to the meeting.

WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY?

It likely means you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy.

MAY I CHANGE MY VOTE?

Yes. The proxy may be revoked at any time before it is voted by written notice to the Corporation prior to the start of the meeting, and any shareholder attending the meeting may vote in person whether or not he has previously submitted a proxy.

WHEN WILL THE PROXY AND ANNUAL REPORT BE MAILED TO SHAREHOLDERS?

This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders and Proxy are being mailed to the Corporation's shareholders on or about March 22, 2007.

HOW MANY SHARES ARE OWNED BY DIRECTORS AND EXECUTIVE OFFICERS?

All Directors and Executive Officers of the Corporation as a group (comprised of 18 individuals), beneficially held 323,056 shares of the Corporation's common stock as of March 6, 2007, representing 6.27% of the outstanding common stock of the Corporation.

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PROPOSAL 1

ELECTION OF DIRECTORS AND INFORMATION CONCERNING DIRECTORS AND OFFICERS

The Code of Regulations of Farmers & Merchants Bancorp, Inc. provides that the number of Directors to be elected at the Shareholder Meeting will be determined by the vote of the shareholders, but shall not be less than nine or greater than twenty. Currently, the number of Directors is set at fourteen. Set forth below, as of the record date, is information concerning the nominees for the election to the Board of Directors. The following persons have been nominated as directors by the Board of Directors to serve until the annual meeting of shareholders in 2008:

NAME -----	AGE ---	PRINCIPAL OCCUPATION OR EMPLOYMENT FOR PAST FIVE YEARS -----	YEAR FIRST BECAME DIRECTOR -----
Dexter L. Benecke	64	President, Freedom Ridge, Inc.	1999
Joe E. Crossgrove(1)	70	Chairman of the Corporation and The Farmers & Merchants State Bank	1992
Steven A. Everhart	52	Secretary/Treasurer, MBC Holdings, Inc.	2003
Robert G. Frey	66	President, E. H. Frey & Sons, Inc.	1987
Jack C. Johnson	54	President, Hawk's Clothing, Inc.	1991
Dean E. Miller	63	Chairman, MBC Holdings, Inc.	1986
Anthony J. Rupp(2)	57	President, Rupp Furniture Co.	2000
David P. Rupp, Jr. (2)(3)	65	Attorney	2001
James C. Saneholtz	60	President, Saneholtz-McKarns, Inc.	1995
Kevin J. Sauder	46	President, Chief Executive Officer, Sauder Woodworking Co.	2004
Merle J. Short	66	President, ProMow, Inc.	1987
Paul S. Siebenmorgen(4)	57	President and CEO of the Corporation and The Farmers & Merchants State Bank	2005
Steven J. Wyse	62	Private Investor	1991
Dr. Betty K. Young	51	President, Northwest State Community College	2005

(1) Mr. Crossgrove was President and CEO of the Corporation and the Bank prior to February 18, 2005 when he was named to the position of Chairman.

(2) Anthony J. Rupp and David P. Rupp Jr., both of whom are being nominated to the Board of Directors, are brothers.

(footnotes regarding this table are continued on the following page)

- (3) David P. Rupp Jr. is an attorney with membership in the law firm of Plassman, Rupp, Short, & Hagans of Archbold, Ohio. The law firm has been retained by the Corporation, and its subsidiaries, during the past twenty years and is to be retained currently.
- (4) Mr. Siebenmorgen became the President and CEO of the Corporation and the Bank effective February 18, 2005. From June, 2004 to February 18, 2005 he was Senior Executive Vice President and Chief Lending Officer of the Bank and was not a member of the Board of Directors of the Corporation or the Bank. Prior to joining the Corporation in June of 2004 Mr. Siebenmorgen was Senior Vice President of Lincoln Bank, Plainfield, Indiana.

 Other than the relationship between Mr. Anthony J. Rupp and David P. Rupp, Jr. noted above, there are no family relationships among any of the directors, nominees for election as directors and executive officers of the Corporation.

While it is contemplated that all nominees will stand for election, and the nominees have confirmed this with the Corporation, if one or more of the nominees at the time of the annual meeting should be unavailable or unable to serve as a candidate for election as a director of the Corporation, the proxies reserve full discretion to vote the common shares represented by the proxies for the election of the remaining nominees and any substitute nominee(s) designated by the Board of Directors. The Board of Directors knows of no reason why any of the above-mentioned persons will be unavailable or unable to serve if elected to the Board. Under Ohio law and the Corporation's Code of Regulations, the fourteen nominees receiving the greatest number of votes will be elected as directors. The attached form of proxy grants to the persons listed in such proxy the right to vote shares cumulatively in the election of directors if a shareholder properly implements cumulative voting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS TO SHAREHOLDERS THE ELECTION OF THE ABOVE-LISTED PERSONS AS DIRECTORS FOR THE CORPORATION

The following table sets forth certain information with respect to the executive officers of the Corporation and the Bank:

NAME	AGE	OFFICER SINCE	POSITIONS AND OFFICES HELD WITH CORPORATION AND THE BANK & PRINCIPAL OCCUPATION HELD PAST FIVE YEARS
----	---	-----	-----
Joe E. Crossgrove	70	1964	Chairman (1)
Paul S. Siebenmorgen	57	2004	President and CEO (2)
Edward A. Leininger	51	1981	Executive Vice President and Chief Operating Officer, was Senior Commercial Loan Officer until July 2004, and was EVP - Commercial Loans, until April 2001
Rex D. Rice	48	1984	Executive Vice President and Senior Commercial Banking Director, was Chief Lending Officer until July 2004
Barbara J. Britenriker	45	1992	Executive Vice President and Chief Financial Officer, was Senior Vice President until September 2004, was Vice President until April 2002
Richard J. Lis	65	2005	Executive Vice President and Chief Lending Officer

- (1) Retired as a full time employee December 31, 2006, was President & CEO from 1997 until February 18, 2005.

- (2) Mr. Siebenmorgen became the President and CEO effective February 18, 2005. Mr. Siebenmorgen was hired as the Senior Executive Vice President and Chief Lending Officer of the Bank in June 2004.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of shares of common stock beneficially owned at March 6, 2007 by each director and nominee, and all directors and executive officers as a group. As of the date of this Proxy Statement, management is not aware of any person who beneficially owns more than five percent of the Corporation's common stock.

BENEFICIAL OWNERSHIP OF NOMINEES FOR DIRECTOR AND NAMED EXECUTIVE OFFICERS	AMOUNTS OF SHARES OF COMMON STOCK BENEFICIALLY OWNED	PERCENT OF TOTAL

Directors:		
Dexter L. Benecke	7,024(1)	0.14%
Joe E. Crossgrove	10,400	0.20%
Steven A. Everhart	4,000(2)	0.08%
Robert G. Frey	19,780(3)	0.38%
Jack C. Johnson	1,240	0.02%
Dean E. Miller	36,760(4)	0.71%
Anthony J. Rupp	12,020(5)	0.23%
David P. Rupp Jr.	75,748(6)	1.47%
James C. Saneholtz	2,100	0.04%
Kevin J. Sauder	3,744(7)	0.07%
Merle J. Short	22,160(8)	0.43%
Paul S. Siebenmorgen	13,300(9)	0.26%
Steven J. Wyse	104,000(10)	2.02%
Betty K. Young	900	0.01%
Executive Officers (other than Messrs. Crossgrove and Siebenmorgen noted above):		
Barbara J. Britenriker	1,542(11)	0.03%
Edward A. Leininger	5,250(12)	0.10%
Richard J. Lis	550(13)	0.01%
Directors and Executive Officers as a Group (18 Persons)	323,056	6.27%

- (1) Includes 560 shares of common stock owned jointly with Mr. Benecke's spouse and 1,332 shares of common stock owned by his Spouse in trust.
- (2) All shares of common stock owned jointly with Mr. Everhart's spouse.
- (3) Includes 600 shares of common stock owned individually by Mr. Frey's spouse.
- (4) Includes 15,780 shares of common stock owned individually by Mr. Miller's spouse.
- (5) Includes 1,192 shares of common stock owned individually by Mr. Rupp's spouse.
- (6) Includes 3,700 shares owned by a church of which Mr. Rupp serves on the endowment committee, 3,700 shares owned by a foundation of which Mr. Rupp is a board member and 41,308 shares owned by a limited liability company of which Mr. Rupp is the sole manager, but has no financial interest. Mr. Rupp disclaims beneficial ownership of all 48,708 of these shares.
- (7) Includes 1,872 shares of common stock owned individually by Mr. Sauder's spouse.
- (8) Includes 11,980 shares of common stock owned individually by Mr. Short's spouse.
- (9) Includes 1,200 shares of common stock owned jointly by Mr. Siebenmorgen with his spouse, 3,700 shares owned by a church of which Mr. Siebenmorgen serves on the endowment committee (of which Mr. Siebenmorgen disclaims beneficial ownership), and

1,000 shares representing restricted stock awards issued pursuant to the Corporation's Long Term Incentive Plan, 400 of which shares vest on August 19, 2008 and 600 of which vest on August 16, 2009.

- (10) Includes 52,000 shares of common stock owned individually by Mr. Wyse's spouse.
- (11) Includes 1,092 shares of common stock owned jointly with Ms. Britenriker's spouse and 450 shares representing restricted stock awards issued pursuant to the Corporation's Long Term Incentive Plan, 160 of which shares vest on August 19, 2008 and 290 of which vest on August 16, 2009.
- (12) Includes 4,800 shares of common stock owned jointly with Mr. Leininger's spouse and 450 shares representing restricted stock awards issued pursuant to the Corporation's Long Term Incentive Plan, 160 of which shares vest on August 19, 2008 and 290 of which vest on August 16, 2009.
- (13) Includes 100 shares of common stock owned jointly with Mr. Lis's spouse and 450 shares representing restricted stock awards issued pursuant to the Corporation's Long Term Incentive Plan, 160 of which shares vest on August 19, 2008 and 290 of which vest on August 16, 2009.

COMMITTEES OF THE BOARD OF DIRECTORS

The following table summarizes the membership of the Board of Directors and each of its committees, and the number of times each met during 2006.

	BOARD -----	AUDIT COMMITTEE -----	COMPENSATION COMMITTEE -----	NOMINATING/ CORPORATE GOVERNANCE COMMITTEE -----
Dexter L. Benecke	Member	Member	Member	
Joe E. Crossgrove	Member			
Steven A. Everhart	Member	Member		
Robert G. Frey	Member			Member
Jack C. Johnson	Member		Member	
Dean E. Miller	Member		Member	
Anthony J. Rupp	Member			Member
David P. Rupp Jr.	Member			
James C. Saneholtz	Member	Member		
Kevin J. Sauder	Member		Member	Member
Merle J. Short	Member	Member		Member
Paul S. Siebenmorgen	Member			
Steven J. Wyse	Member		Member	Member
Betty K. Young	Member			Member
NUMBER OF MEETINGS IN 2006	10	12	4	2

The directors of Farmers & Merchants Bancorp, Inc. are also the directors of The Farmers & Merchants State Bank. The Corporation's Board of Directors met 10 times during 2006 whereas the Board of Directors of the Bank met 13 times in 2006.

During 2006, each director attended 75% or more of the total meetings of the Board and the committees on which they served (held during the period that each served as a director) of the Corporation and Farmers & Merchants State Bank, the primary operating subsidiary of the Corporation.

The Board of Directors of the Corporation's bank subsidiary has an Executive Salary Committee that also acts as the Compensation Committee for the Corporation, which is responsible for establishing salary levels and benefits for its executive officers. In determining the compensation of the executive officers of the Corporation's subsidiaries, the subsidiaries have sought to create a

compensation program that relates compensation to financial performance, recognizes individual contributions and achievements, and attracts and retains outstanding executive officers.

The Corporation has a Nominating and Corporate Governance Committee which is responsible for any recommendations to the full Board of Directors of proposed Amendments to the Corporation's Articles of Incorporation.

The Corporation also has an Audit Committee established in accordance with 15 U.S.C. 78c(a)(58)(A). The function of the Audit Committee is to review the adequacy of the Corporation's system of internal controls, to investigate the scope and adequacy of the work of the Corporation's independent public accountants and to recommend to the Board of Directors a firm of accountants to serve as the Corporation's independent public accountants.

CORPORATE GOVERNANCE

Starting in 2003, the Corporation reviewed its corporate governance policies as a matter of good business practices and in light of the passage of the Sarbanes-Oxley Act of 2002 ("Sarbanes Oxley") and regulations promulgated by the Securities and Exchange Commission ("SEC") and listing standards adopted by NASDAQ. While the corporate governance requirements set forth in the NASDAQ listing standards are not applicable to the Corporation because it is not listed on NASDAQ, the Corporation decided to implement most of those corporate governance policies to encourage appropriate conduct among the members of its Board of Directors, officers and employees and to assure that the Corporation operates in an efficient and ethical manner.

COMMITTEE CHARTERS AND BOARD INDEPENDENCE

The Board of Directors has adopted charters for the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The members of each of these three committees are currently, and under the terms of the respective charters, will continue to be "independent" pursuant to standards adopted by NASDAQ. Further, the Board of Directors has determined that under the NASDAQ "independence" standards, a majority of the members of the Board of Directors are currently independent. In reviewing the independence of members, the Board of Directors took into account the transactions disclosed under the caption Director Independence and Related Party Transactions appearing in this proxy. In making this determination, the Board has concluded that a majority of the members of the board have no relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Copies of the Charters for each of these Committees were included in the proxy statement of the Corporation for 2004, are available on the Bank's website (www.fm-bank.com), and are available upon request from the Corporation. Shareholders desiring a paper copy of one or all of the Charters should address written requests to Ms. Lydia A. Huber, Secretary of Farmers & Merchants Bancorp, Inc., 307-11 North Defiance Street, Archbold, Ohio 43502.

CODE OF CONDUCT AND ETHICS

The Board of Directors has adopted a Code of Business Conduct and Ethics (the "Code"). The Code applies to all officers, directors and employees of the Corporation and the Bank. The administration of the Code has been delegated to the Audit Committee of the Board of Directors, a Committee comprised entirely of "independent directors." The Code addresses topics such as compliance with laws and regulations, honest and ethical conduct, conflicts of interest, confidentiality and protection of Corporation assets, fair dealing and accurate and timely periodic

reports, and also provides for enforcement mechanisms. The Board and management of the Corporation intend to continue to monitor not only the developing legal requirements in this area, but also the best practices of comparable companies, to assure that the Corporation maintains sound corporate governance practices in the future.

A copy of the Corporation's Code is available on the website of the Bank (www.fm-bank.com). In addition, a copy of the Code is available to any shareholder free of charge upon request. Shareholders desiring a copy of the Code should address written requests to Ms. Lydia A. Huber, Secretary of Farmers & Merchants Bancorp, Inc., 307-11 North Defiance Street, Archbold, Ohio 43502, and are asked to mark Code of Business Conduct and Ethics on the outside of the envelope containing the request.

NOMINATIONS FOR MEMBERS OF THE BOARD OF DIRECTORS

As noted above under "Corporate Governance", the Corporation established a Nominating and Corporate Governance committee. The current members of the Committee all are "independent" directors (as defined by NASDAQ). The Nominating and Corporate Governance Committee has developed a policy regarding the consideration of nominations for directors by shareholders. The policy is posted on the Bank's website for review by shareholders. As outlined in its policy, the Nominating and Corporate Governance Committee will consider nominations from shareholders, although it does not actively solicit such nominations. Proposed nominations should be addressed to Chairman of the Nominating and Corporate Governance Committee of Farmers & Merchants Bancorp, Inc., 307-11 North Defiance Street, Archbold, Ohio 43502. The identification and evaluation of all candidates for nominee to the Board of Director are undertaken on an ad hoc basis within the context of the Corporation's strategic initiatives at the time a vacancy occurs on the Board. In evaluating candidates, the Committee considers a variety of factors, including the candidate's integrity, independence, qualifications, skills, experience (including experiences in finance and banking), familiarity with accounting rules and practices, and compatibility with existing members of the Board. Other than the foregoing, there are no stated minimum criteria for nominees, although the Committee may consider such other factors as it may deem at the time to be in the best interest of the Company and its shareholders, which factors may change from time to time.

The Nominating and Corporate Governance Committee also has been designated by the Corporation's Corporate Governance Guidelines to receive, review and respond, as appropriate, to communications concerning the Corporation from employees, officers, shareholders and other interested parties that such parties want to address to non-management members of the Board of Directors. Shareholders that want to direct such questions to the non-management members of the Board of Directors should address them to the Chairman of the Nominating and Corporate Governance Committee, Farmers & Merchants Bancorp, Inc., 307-11 North Defiance Street, Archbold, Ohio 43502.

The Corporation's Corporate Governance Guidelines also contain a provision stating that it is expected that all members of the Board of Directors shall attend the Annual Meeting of Shareholders. All of the members of the Board of Directors attended the 2006 Annual Meeting of Shareholders.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors submits the following report on the performance of its responsibilities for the year 2006. The purposes and responsibilities of the Committee are

elaborated in the Committee charter. The Board of Directors has determined that Steven A. Everhart, one of the members of the Audit Committee, is a "financial expert" as defined under the regulations promulgated under the Sarbanes-Oxley Act discussed above. Mr. Everhart and all of the other members of the Audit Committee have been determined by the Board of Directors to be "independent" under the listing standards adopted by the NASDAQ Stock Market.

Management of the Corporation has primary responsibility for the financial statements and the overall reporting process, including the Corporation's system of internal controls. The independent auditors are responsible for performing an independent audit of the Corporation's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). This audit serves as a basis for the auditors' opinion in the annual report to shareholders addressing whether the financial statements fairly present the Corporation's financial position, results of operations and cash flows. The Audit Committee's responsibility is to monitor and oversee these processes.

In reviewing the independence of the Corporation's outside auditors, the Committee has received from Plante & Moran, PLLC the written disclosures and a letter regarding relationships between Plante & Moran, PLLC and its related entities and the Corporation and its related entities and has discussed with Plante & Moran, PLLC its independence from the Corporation as required by Independence Standards Board Standard No. 1. As part of this review, the Committee considered whether the non-audit services provided by Plante & Moran, PLLC to the company during 2006 were compatible with maintaining Plante & Moran, PLLC's independence.

In fulfilling its responsibilities relating to the Corporation's internal control, accounting and financial reporting policies and auditing practices, the Committee has reviewed and discussed with management and Plante & Moran, PLLC the Corporation's audited financial statements for 2006. In this connection, the Committee has discussed with Plante & Moran, PLLC its judgments about the quality, in addition to the acceptability, of the Corporation's accounting principles as applied in its financial reporting, as required by Statement on Auditing Standards No. 61. Based on these reviews and discussions, the Committee recommended to the Board of Directors that the audited financial statements be included in the Corporation's Annual Report on SEC Form 10-K for the year ended December 31, 2006, for filing with the Securities and Exchange Commission.

Respectfully submitted by the members of the Audit Committee:

Steven A. Everhart, Chairman
Dexter L. Benecke
James C. Saneholtz
Merle J. Short

SELECTION OF AUDITORS/PRINCIPAL ACCOUNTING FIRM FEES

The firm of Plante & Moran, PLLC, ("Plante & Moran") independent certified public accountants, has been retained by the Audit Committee on behalf of the Corporation as auditors of the Corporation and its subsidiaries for the current year. Plante & Moran was engaged to provide independent audit services for the Corporation and its subsidiaries and to provide certain non-audit services including advice on accounting, tax and reporting matters. The Board of Directors expects that a representative of Plante & Moran will be present at the annual meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions. The Board of Directors has reappointed the firm of Plante & Moran to be auditors of the Corporation and its subsidiaries for the calendar year ending December 31, 2007.

The Corporation has been advised by Plante & Moran that no member of that firm has any financial interest, either direct or indirect, in the Corporation or its subsidiaries, other than as a depositor, and it has no connections with the Corporation or its subsidiaries in any capacity other than that of public accountants.

Plante & Moran billed the aggregate fees shown below for audit, audit related matters, tax and other services rendered to the Corporation and its subsidiaries for the years 2005 and 2006. Audit fees include fees billed in connection with the audit of the Corporation's annual financial statements, fees billed for the review of the unaudited financial statements contained in the Corporation's periodic reports on Form 10-Q, as filed with the Securities and Exchange Commission and assistance in compliance with the internal control requirements mandated by Section 404 of Sarbanes-Oxley. Audit related fees include review of the business continuity plan (disaster recovery) and review of mortgage servicing and allowance for loan and lease losses. Tax consulting services included assistance regarding franchise tax and federal income tax planning.

Plante & Moran and its affiliates billed the following amounts to the Corporation and its subsidiaries during 2005 and 2006, respectively for audit, audit related fees, tax fees and all other fees:

	PLANTE & MORAN - 2005	PLANTE & MORAN - 2006
	-----	-----
AUDIT FEES	\$290,063	\$180,600
AUDIT RELATED FEES	2,200	4,200
TAX FEES	21,575	18,000
ALL OTHER FEES	600	-0-
	-----	-----
TOTAL	\$314,438	\$202,800
	=====	=====

The Audit Committee of the Corporation considered and concluded that the provision for non-audit services by Plante & Moran, PLLC and its affiliates was compatible with maintaining the independent auditors' independence. The Audit Committee of the Corporation will pre-approve all services to be provided to the Corporation by Plante & Moran. All the services noted above were approved by the Audit Committee.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction. The Compensation Committee administers our executive compensation program. The committee, which is composed entirely of independent directors, is responsible for reviewing and determining executive officer compensation, for evaluating the President and Chief Executive Officer, for overseeing the evaluation of all other officers and employees, for administering our incentive compensation programs (including the equity incentive plan), for approving and overseeing the administration of our employee benefits programs, for providing insight and guidance to management with respect to employee compensation, and for reviewing and making recommendations to the board with respect to director compensation. The President and Chief Executive Officer participates with respect to decisions concerning other executive officers of the Corporation.

The Compensation Committee operates under a charter adopted by the Board of Directors. The Compensation Committee annually reviews the adequacy of its charter and recommends changes to the Board for approval. The Compensation Committee meets at scheduled times during the year and also acts upon occasion by written consent. The chair of the committee reports on committee activities and makes committee recommendations at meetings of the Board of Directors.

Compensation Philosophy. Our executive compensation programs seek to achieve and maintain equity with respect to balancing the interests of shareholders and executive officers, while supporting our need to attract and retain competent executive management. The management Compensation Committee has developed an executive compensation policy, along with supporting executive compensation plans and programs, which are intended to attain the following objectives:

- Support a pay-for-performance policy that rewards Executive Officers for corporate performance.
- Motivate Executive Officers to achieve strategic business goals.
- Provide competitive compensation opportunities critical to the Corporation's long-term success.

The committee collects and analyzes comparative executive compensation information from relevant peer groups, approves executive salary adjustments, recommends executive discretionary incentive/bonus plans, and administers the Corporation long term incentive compensation plan. Additionally, from time to time, the committee reviews other human resource issues, including qualified and non-qualified benefits, management performance appraisals, and succession planning.

The Committee uses comparisons of competitive executive pay practices taken from banking industry compensation surveys and, from time-to-time, consultation with independent executive compensation advisors. Peer groups and competitive compensation practices are determined using executive compensation packages at bank holding companies and subsidiaries of comparable size to the Corporation and its subsidiaries.

There are five components of the compensation program for all Executive Officers of the Corporation's subsidiary, The Farmers & Merchants State Bank (the "Bank"), a base salary component and a discretionary cash incentive component, which is determined by the Board of Directors in December of each year, a Restricted Stock Award determined by the Board of Directors at mid-year and the profit sharing and health and welfare benefit plans participated in by all employees.

In making its decisions regarding annual salary adjustments, the committee reviews quantitative and qualitative performance factors as part of an annual performance appraisal. These are established for each executive position and the performance of the incumbent executive is evaluated annually against these standards. This appraisal is then integrated with market-based adjustments to salary ranges to determine if a base salary increase is merited.

The committee also administers the cash incentive program and the long term equity incentive compensation plan of the Corporation. Cash and equity is at-risk compensation. Awards are recommended by the committee to the Board of Directors when, in the judgment of committee

members, such awards are justified by the performance of executive officers in relation to the performance of the Corporation.

The accounting and tax treatment of particular forms of compensation do not materially affect the committee's compensation decisions. However, the committee evaluates the effect of such accounting and tax treatment on an ongoing basis and will make appropriate modifications to its compensation policies where appropriate.

Components of Compensation. The elements of total compensation paid by the Corporation to its senior officers, including the President and Chief Executive Officer (the "CEO") and the other executive officers identified in the Summary Compensation Table which appears following this Compensation Discussion and Analysis (the CEO and the other executive officers identified in that Table are sometimes referred to collectively as the "Named Executive Officers"), include the following:

- Base salary;
- Awards under our cash-based incentive compensation program;
- Awards under our long term equity incentive compensation plan;
- Benefits under our Profit Sharing Plan; and
- Benefits under our health and welfare benefits plans.

Base Salary. The base salaries of the Named Executive Officers are reviewed by the Committee annually as well as at the time of any promotion or significant change in job responsibilities. The committee reviews peer group data to establish a market-competitive executive base salary program, combined with a formal performance appraisal system that focuses on awards that are integrated with strategic corporate objectives. Salary income for each Named Executive Officer for calendar year 2006 is reported in Column 1 of the Summary Compensation Table, which appears following this Compensation Discussion and Analysis.

Incentive Cash Compensation. The Corporation has established a cash bonus plan. The cash incentive for Executive Officers under this plan is based upon two criteria. The first is return on average assets ("ROA") of the Bank. If the ROA of the Bank equals the average ROA of the Bank for the prior 10 years, the Executive Officer receives the full cash incentive amount established. If the ROA is above 1%, but below such 10-year average, a prorated portion of the cash incentive is paid. The same prorated portion continues if the ROA is above the 10-year average. No cash incentive is paid if the Bank's ROA for the applicable year is less than 1%. For the Executive Officers, the cash incentive is paid before the end of the first quarter of the year following the year in which it is earned. The ROA for the Bank on which the incentive was based in 2006 was 1.12%, an amount higher than the 10 year average of 1.11%. Thus the formula for the cash incentive was adjusted upward for this component.

The second criterion used in determining the cash incentive to be paid to Executive Officers is whether the earnings per share for the Corporation reaches a three-year 6% annual compound growth rate. If such growth rate is less than 6%, that component of the formula for Executive Officers is adjusted downward. If the three year annual compound growth is under 3%, no incentive is paid. For 2006, the growth rate was 2.2% for purposes of determining the cash incentive.

The method used to calculate the cash incentive is different for Executive Officers, officers that are not Executive Officers and non-officer employees. The methodology used for Executive Officers is described above. For other officers, their cash incentive is based upon the Bank's ROA and whether they attain pre-established goals. For non-officers, the cash incentive is based solely upon the Bank's ROA.

Incentive Stock Compensation. We use the grant of stock awards under our long term equity incentive compensation plan as the primary vehicle for providing long-term incentive compensation opportunities to its senior officers, including the Named Executive Officers. We have not adopted any specific policy regarding the amount or timing of any stock-based compensation under the plan. The number of shares underlying the award granted to each Named Executive Officer in 2006 is set forth in the Grants of Plan Based Awards Table and the dollar amount recognized as compensation cost for financial statement reporting purposes for calendar year 2006 with respect to each such award (determined in accordance with FAS 123R) is set forth in column (e) of the Summary Compensation Table, each of which appears below. Information concerning the number of stock awards held by each Named Executive Officer as of December 31, 2006 is set forth in the Outstanding Equity Awards at Fiscal Year-End Table, which appears below.

Profit Sharing Plan. The Bank has established a 401(k) profit sharing plan that allows eligible employees to save at a minimum one percent of eligible compensation on a pre-tax basis, subject to certain Internal Revenue Service limitations. The Bank will match 50% of employee 401(k) contributions up to four percent of total eligible compensation. In addition the Bank may make a discretionary contribution from time to time as is deemed advisable. A participant is 100% vested in the participant's deferral contributions. A six-year vesting schedule applies to employer discretionary contributions and employee matching contributions. In order to be eligible to participate, the employee must be 21 years of age, have completed six months of service, work 1,000 hours in the plan year and be employed on the last day of the year. Entry dates have been established at January 1 and July 1 of each year. The plan calls for only lump-sum distributions upon either termination of employment, retirement, death or disability. The Corporation's contributions to the plan made on behalf of the Named Executive Officers is included in column g as "all other compensation" in the summary compensation table.

Health and Welfare Benefits. The Corporation provides healthcare, life and disability insurance and other employee benefits programs to its employees, including its senior officers. The committee is responsible for overseeing the administration of these programs and believes that its employee benefits programs should be comparable to those maintained by other members of the relevant peer groups so as to assure that the Corporation is able to maintain a competitive position in terms of attracting and retaining officers and other employees. Except for our Executive Survivor Income Agreement, our employee benefits plans are provided on a non-discriminatory basis to all employees.

The Corporation has entered into an Executive Survivor Income Agreement with some of the Named Executive Officers that provides certain death benefits to the executive's beneficiaries upon his or her death. The agreements provide a pre- and post-retirement death benefit payable to the beneficiaries of the executive in the event of the executive's death. The Corporation has purchased life insurance policies on the lives of all participants covered by these agreements in amounts sufficient to provide the sums necessary to pay the beneficiaries. The actual gross death benefit amounts payable under this plan are disclosed under Payments and Benefits in Connection with Termination or Change-in-Control.

2006 Executive Officer Compensation. For 2006 the executive officers named in the Summary Compensation Table received salaries that were intended to maintain their compensation at a competitive level.

Adjustments in 2006 base salary were based upon each Named Executive's annual performance review, an annual review of peer compensation, and the overall performance of the company. These adjustments are consistent with the company's salary budget which is approved by the compensation committee and becomes part of the overall budget approved annually by the Board of Directors.

The Corporation provides a reasonable level of personal benefits, and perquisites to one or more named executive officers to support the business interests of the bank, provide competitive compensation, and to recognize the substantial commitment both professionally and personally expected from executive officers. The aggregate value of perquisites and personal benefits, as defined under SEC rules, provided to each named executive officer is less than the reporting threshold value of \$10,000.

As part of its compensation program the Corporation has entered into agreements with some of the Named Executive Officers pursuant to which they will be entitled to receive severance benefits upon the occurrence of certain enumerated events following a change in control. The events that trigger payment are generally those related to termination of employment without cause or detrimental changes in the executive's terms and conditions of employment. See Employment Contracts and Payments Upon Termination or "Change in Control" below for a more detailed description of these events. The Corporation believes that this structure will help: (i) assure the executives' full attention and dedication to the company, free from distractions caused by personal uncertainties and risks related to a pending or threatened change in control, (ii) assure the executives' objectivity for shareholders' interests, (iii) assure the executives of fair treatment in case of involuntary termination following a change in control, and (iv) attract and retain key talent during uncertain times.

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SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	STOCK AWARDS (\$ (1))	OPTION AWARDS (\$)	ALL OTHER COMPENSATION (\$ (2))	TOTAL (\$)
Joe E. Crossgrove Chairman	2006	179,800	44,277	-0-	-0-	25,408	249,485
Paul S. Siebenmorgen President and Chief Executive Officer (PEO)	2006	214,646	74,592	5,333	-0-	18,712	313,283
Barbara J. Britenriker Executive Vice President (PFO)	2006	144,731	37,829	2,258	-0-	15,189	200,007
Edward A. Leininger Executive Vice President	2006	141,724	37,043	2,258	-0-	17,907	198,932
Richard J. Lis Executive Vice President	2006	142,692	37,296	2,258	-0-	15,834	198,080

Summary Compensation Table Footnotes:

- (1) Reflects the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R.
- (2) Includes contributions to the Corporation's defined contribution profit sharing and 401k plan and certain life insurance premiums paid by the Corporation for the benefit of the Named Executive Officer.

Name	Retirement Contributions (\$)	Life Insurance Premiums (\$)	Total (\$)
Joe E. Crossgrove	21,832	3,576	25,408
Paul S. Siebenmorgen	17,481	1,231	18,712
Barbara J. Britenriker	14,760	429	15,189
Edward A. Leininger	17,249	658	17,907
Richard J. Lis	11,672	4,162	15,834

- (3) Fees paid to Messrs. Crossgrove and Siebenmorgen as Directors of the Corporation and the Bank (listed in the Director Compensation below) are included in the amounts listed above in the salary column.

Narrative Explanation to the Summary Compensation table

Named Executive Officers participate in an annual incentive plan that provides for awards tied to the profit performance of the Corporation during the fiscal year. The amounts set forth in the bonus column represent the awards made under the terms of the plan for 2006 which are payable to the respective named executive officer during the first quarter of 2007. Refer to the compensation discussion and analysis for a complete explanation of the Plan.

The stock awards reported in the Summary Compensation Table represent the dollar amount recognized for financial statement reporting purposes under FAS 123R of restricted stock awards granted to Named Executive Officers. The grant of restricted stock awards is made on an entirely discretionary basis by the board of directors acting upon a recommendation of the compensation

committee. The vesting of all of the awards of restricted stock made to date under the terms of the long term equity incentive plan occurs three years following the grant.

The named Executive Officers are participants in the Farmers and Merchants Profit Sharing and 401k plan. The employer contribution amounts for the fiscal year period for each named Executive Officer included in the all other compensation column of the Summary Compensation Table. Employer contributions under the Plan are structured as a percent of base salary up to statutory compensation limits. Employer contributions for the fiscal-year include Safe-Harbor contributions, matching contributions, and discretionary contributions, applied on a non-discriminatory basis for all Plan participants.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

NAME AND PRINCIPAL POSITION -----	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (1) (#)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (2) (\$)
Joe E. Crossgrove, Chairman	-0-	-0-
Paul S. Siebenmorgen, President and CEO (PEO)	1,000	22,400.00
Barbara J. Britenriker, Executive Vice President (PF0)	450	10,800.00
Richard Lis, Executive Vice President	450	10,800.00
Edward A. Leininger, Executive Vice President	450	10,800.00

(1) Vesting dates for reported stock awards are as follows:

Name -----	Number of Shares Vesting on 8/19/08 -----	Number of Shares Vesting on 8/16/09 -----
Paul S. Siebenmorgen	400	600
Barbara J. Britenriker	160	290
Richard Lis	160	290
Edward A. Leininger	160	290

(2) Market value based on market price on December 29, 2006, of \$22.40.

GRANTS OF PLAN-BASED AWARDS

NAME AND PRINCIPAL POSITION	YEAR	GRANT DATE	ALL OTHER STOCK AWARDS: NUMBER OF SHARES OF STOCK OR UNITS (#)	GRANT DATE FAIR VALUE OF STOCK AND OPTION AWARDS (\$)
Joe E. Crossgrove, Chairman	2006	9/7/2006	0	0
Paul S. Siebenmorgen, President and CEO (PEO)	2006	9/7/2006	600	13,500
Barbara J. Britenriker, EVP (PFO)	2006	9/7/2006	290	6,525
Richard Lis, EVP	2006	9/7/2006	290	6,525
Edward A. Leininger, EVP	2006	9/7/2006	290	6,525

Narrative Explanation to the Grants of Plan-Based Awards table

The above amounts represent information regarding restricted stock awards made to each of the respective named executive officers during 2006 under the terms of the Corporation's Long Term Incentive Compensation Plan. The awards vest in full at the expiration of three years of service of the respective officer. The vesting of the awards is accelerated in the event of the death or disability of the officer or upon a change in control.

POST-EMPLOYMENT COMPENSATION/CHANGE OF CONTROL AGREEMENTS

The Corporation has entered into Change in Control Severance Compensation Agreements with its executive officers, Mr. Siebenmorgen, Mr. Leininger, Ms. Britenriker and Mr. Lis. These Agreements provide for payment of an amount equal to one year's compensation to the executives in the event that their employment is terminated in connection with a "change in control" as defined in the Agreements. No payments will be made in such event if the executive is terminated "for cause." If a change in control had occurred as of December 31, 2006, this would have resulted in payments to the executives as shown on the following table. In addition to the payment equal to one times their salary, the agreements also provide for the continuation of health insurance and other benefits, which amounts also are included in the table. Finally, included in the table are amounts that would be payable to the executive or their estate pursuant to individual executive survivor income agreements ("ESIA"). Note that Joe Crossgrove, Chairman of the Corporation is included in this table solely in connection with his ESIA.

NAME OF EXECUTIVE	AMOUNT PAID ON CHANGE IN CONTROL (1 X SALARY AND BONUS)	CONTINUATION OF PERQUISITES	PAYMENT ON DEATH OR DISABILITY UNDER ESIAS
Joe E. Crossgrove	-0-	-0-	\$148,223
Paul S. Siebenmorgen	\$256,002	\$ 8,787	-0-
Edward A. Leininger	\$174,785	\$ 9,873	\$150,000
Richard J. Lis	\$178,414	\$ 9,147	-0-
Barbara Britenriker	\$176,088	\$12,681	\$150,000

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The compensation committee is responsible for discharging the responsibilities of the board with respect to the compensation of executive officers. The compensation committee sets performance goals and objectives for the chief executive officer and the other executive officers, evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer pay, the compensation committee may retain the services of a compensation consultant and consider recommendations from the chief executive officer with respect to goals and compensation of the other executive officers. The compensation committee assesses the information it receives in accordance with its business judgment. The compensation committee also periodically reviews director compensation. All decisions with respect to executive and director compensation are approved by the compensation committee and recommended to the full board for ratification.

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis (the "CD&A") for the year ended December 31, 2006 with management. In reliance on the reviews and discussions referred to above, the compensation committee recommended to the Board, and the Board has approved, that the CD&A be included in the proxy statement for the year ended December 31, 2006 for filing with the SEC.

By the Compensation Committee of the Board of Directors:

Jack C. Johnson, Chairman
 Dexter L. Benecke
 Dean E. Miller
 Kevin J. Sauder
 Steven J. Wyse

DIRECTOR COMPENSATION

NAME	FEES EARNED OR PAID IN CASH
-----	-----
Dexter L. Benecke	\$17,600.00
Joe E. Crossgrove	\$10,400.00
Steven A. Everhart	\$18,200.00
Robert G. Frey	\$16,200.00
Jack C. Johnson	\$15,000.00
Dean E. Miller	\$13,400.00
Anthony J. Rupp	\$15,800.00
David P. Rupp, Jr	\$17,200.00
James C. Saneholtz	\$18,600.00
Kevin J. Sauder	\$11,600.00
Merle J. Short	\$18,000.00
Paul S. Siebenmorgen	\$10,800.00
Steven J. Wyse	\$12,400.00
Betty K. Young	\$11,000.00

DIRECTOR COMPENSATION DISCUSSION

We review the level of compensation of our directors on an annual basis. To determine the appropriateness of the current level of compensation for our directors, we have historically obtained data from a number of different sources including publicly available data describing director compensation in peer companies and survey data collected by members of the compensation committee.

Cash compensation is paid to directors in the form of retainers and meeting fees. The standard monthly retainer for board service is \$500. A \$400 fee is paid to a director for each Bank board meeting attended. Fees ranging from \$200 to \$400 are paid for each committee meeting attended depending upon the demands of the committee. Employee directors are not paid for committee meetings attended.

DIRECTOR INDEPENDENCE AND RELATED PARTY TRANSACTIONS

DIRECTOR INDEPENDENCE

The Governance Committee of the Board of Directors of the Corporation undertakes a review of director independence annually and reports on its findings to the full board in connection with its recommendation of nominees for election to the Board of Directors. Based upon this review, the Board of Directors has determined that all directors are independent, other than Messrs. Crossgrove and Siebenmorgen, the current Chairman and President and Chief Executive Officer, respectively, and David P. Rupp, Jr.

In making its determination regarding the independence of the directors and nominees for director, the Governance Committee reviewed and the board considered the following specific relationship.

David P. Rupp Jr. is an attorney with membership in the law firm of Plassman, Rupp, Short, & Hagans of Archbold, Ohio. The law firm has been retained by the Corporation and its subsidiaries during the past twenty years and is expected to be retained currently.

TRANSACTIONS WITH RELATED PARTIES

Certain directors, nominees, and executive officers or their associates were customers of and had transactions with the Corporation or its subsidiaries during 2006. Transactions that involved loans or commitments by the Bank were made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than the normal risk of collectability or present other unfavorable features. Except for the specific transactions described above no director, executive officer or beneficial owner of more than five percent of the Corporation's outstanding voting securities (or any member of their immediate families) engaged in any transaction (other than such a loan transaction as described) with the Corporation during 2006, or proposes to engage in any transaction with the Corporation, in which the amount involved exceeds \$120,000.

REVIEW, APPROVAL OR RATIFICATION OF TRANSACTIONS WITH RELATED PERSONS

The Corporation's Code of Ethics and Business Conduct requires that all related party transactions be pre-approved by the Corporation's Audit Committee. Excepted from that pre-approval requirement are routine banking transactions, including deposit and loan transactions, between our subsidiaries and any related party that are made in compliance with, and subject to the approvals required by, all federal and state banking regulations. In making a determination to approve a related party transaction the Audit Committee will take into account, among other factors it deems appropriate, whether the proposed transaction is on terms no less favorable than those generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the proposed transaction.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

In 2006 the Compensation Committee members were Jack C. Johnson, Chairman, Dexter L. Benecke, Dean E. Miller, Kevin J. Sauder and Steven J. Wyse. None of the members of the Board's Compensation Committee has had any relationship with us requiring disclosure under Item 404 of Regulation S-K under the Securities and Exchange Act of 1934. In addition, no executive officer of the Corporation or the Bank serves or has served as a member of the compensation committee or Board of Directors of any other company (other than the Bank) which employs any member of the Corporation's Board of Directors.

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's officers and Directors, and persons who own more than ten percent of a registered class of the Corporation's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, Directors and greater than ten percent shareholders are required by SEC regulations to furnish the Corporation with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such forms furnished to the Corporation the Corporation believes that during 2006 all Section 16(a) filing requirements applicable to its officers and Directors were complied with.

PROPOSALS OF SHAREHOLDERS FOR NEXT ANNUAL MEETING

Proposals of shareholders intended to be presented at the 2008 Annual Shareholders' Meeting must be received at the Corporation's offices at 307-11 North Defiance Street, Archbold, Ohio 43502, prior to November 10, 2007 for inclusion in the proxy statement and form of proxy. Proposals from shareholders for next year's annual meeting received by the Corporation after January 18, 2008 will be considered untimely. With respect to such proposals, the Corporation will vote all shares for which it has received proxies in the interest of the Company as determined in the sole discretion of its Board of Directors. The Corporation also retains its authority to discretionarily vote proxies with respect to shareholder proposals received by the Company after November 10, 2007 but prior to January 18, 2008, unless the proposing shareholder takes the necessary steps outlined in Rule 14a-4(c)(2) under the Securities Exchange Act of 1934 to ensure the proper delivery of proxy materials related to the proposal.

OTHER MATTERS

The Board of Directors does not know of any other matters that are likely to be brought before the meeting. However, in the event that any other matters properly come before the meeting, the persons named in the enclosed proxy will vote said proxy in accordance with their judgment on such matters.

A COPY OF THE CORPORATION'S ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2006 IS ENCLOSED. A COPY OF THE CORPORATION'S ANNUAL REPORT ON FORM 10-K FOR 2006, WITH EXHIBITS, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("2006 10-K"), IS AVAILABLE TO ANY SHAREHOLDER FREE OF CHARGE. SHAREHOLDERS DESIRING A COPY OF THE 2006 10-K SHOULD ADDRESS WRITTEN REQUESTS TO MS. BARBARA J. BRITENRIKER, CHIEF FINANCIAL OFFICER OF FARMERS & MERCHANTS BANCORP, INC., 307-11 NORTH DEFIANCE STREET, ARCHBOLD, OHIO 43502, AND ARE ASKED TO MARK "2006 10-K REQUEST" ON THE OUTSIDE OF THE ENVELOPE CONTAINING THE REQUEST.

By Order of the Board of Directors

/s/ Lydia A. Huber

Lydia A. Huber, Secretary

Archbold, Ohio
March 16, 2007