

Good morning Senator Dole and members of the Subcommittee. I am Gene Charville and I am President of East Carolina Farm Credit. We are an Agricultural Credit Association serving the credit needs of agricultural producers and rural homeowners in eastern North Carolina. Currently our Association serves approximately 3000 farmers and 500 rural homeowners and provides approximately \$700 million in credit.

I would like to thank you Senator Dole for your work on behalf of the North Carolina farmers that we serve. Your efforts to bring resources to bear on the agricultural and rural development challenges facing our state are very much appreciated by me, my farmer Board members, and all of the farmers and rural citizens we serve.

EAST CAROLINA FARM CREDIT'S BUSINESS IS TIED TO THE BUSINESS OF FARMING

We are the largest farm lender operating in eastern North Carolina with over 50% of the agricultural credit market share. As a cooperative agribusiness, the success of our business parallels the performance of the farmers we serve. We lend over \$.50 of every dollar borrowed by farmers. Being a single industry lender, with a loan portfolio that consists nearly entirely of agricultural loans, our success is directly linked to the plight or successes of our farmer/members.

Within that single industry that we serve, our business is further concentrated predominately in a few main agricultural commodities. The largest commodity concentration is tobacco. Over 40% of our loans and commitments are to farmers who rely on income from tobacco to pay their bills. For East Carolina Farm Credit, this amounts to an investment of over \$300 million.

The future of our business is directly dependent on the ability of tobacco farmers to be successful, build and maintain their equity, generate profits, and repay their debts. Eliminating the opportunity for growth or expansion limits the ability of farmers to succeed. It affects the value of their assets, the collateral they provide for loans, and the entire rural economy. The tobacco quota cuts that have occurred over the past several years have diminished the ability of tobacco farmers to succeed. Further cuts and the resulting instability could adversely affect the quality of our loan portfolio and the performance of our cooperative business.

Senator Dole, as someone who lives and works in rural America, I see the very real needs facing our farmers and communities. As you know, rural people face daily hardships as they meet the challenges of living and working in a rural area. The tremendous reductions in the tobacco allotment that have occurred over the past few years have only added to these hardships, making the challenge of surviving as a tobacco farmer nearly impossible.

Farming or working in a rural community no longer offers the appeal necessary to keep the next generation in the rural areas where they were raised. The average age of our customers is 58 and has continually increased for the past two decades. At East

Carolina Farm Credit, we have pursued numerous programs to support and encourage young people to stay on the farm. Despite these efforts, young people, the next generation of farmers, are leaving the rural area. They see the lack of economic vitality and lack of opportunity. A buyout of the tobacco quota program would help restore economic strength to rural North Carolina.

TOBACCO FARMERS FACE A MYRIAD OF ADVERSITY

Tobacco farming, for decades a stable and profitable farm enterprise, has now become a myriad of risk and uncertainty. The continuing reductions in the quota, increasing operating expenses, marketing changes, and an uncertain future have all created a tenuous situation for tobacco farmers and their cooperative lender.

Farmers today are faced with the same obstacles that their fathers and grandfathers faced they have no control over the costs of the inputs they purchase and no control over the proceeds they receive when they sell their tobacco. But we have added yet another burden with the uncertainty of whether there will be a buyout. And yet they must continue to rely on income from the sale of their crop to buy their groceries, to educate their children, and to pay their bills. Let's not continue with this burden on an industry that is already stressed.

Farmers across the country face many problems and uncertainties with the commodities they produce. External forces, far beyond the control of the farmer, impact the income producing potential of nearly every commodity. Often, a rural community, or even an entire county can be entirely dependent on the fate of one or a few crops. In our case, nearly half of our customers are tobacco farmers. Like all of us, they see forces beyond their control presenting nearly insurmountable hurdles to them continuing in the only occupation that they know. Nearly everyday they see negative news and uncertainty regarding tobacco. For the 98% of the population not connected to agriculture, this negative news is seen as justifiable adversity. For us and our customers it changes our way of life, it weakens our communities, and places our livelihoods in peril.

CONTINUED QUOTA CUTS AND UNCERTAINTY OF A BUYOUT WILL IMPACT THE AVAILABILITY OF CREDIT

Adequate credit is still available to tobacco farmers. With continued cuts and in the absence of a buyout, credit restrictions will be inevitable. The quota cuts of the past several years have financially weakened nearly all tobacco farmers. Net worths have declined, earnings have eroded, and tobacco farmers who had worked hard and achieved financial success are now fighting for their survival.

Many tobacco farmers have been unable to properly upgrade, replace, or even maintain their equipment. Quota cuts have made expansion virtually impossible and improved efficiency unattainable. Let's end this downward spiral and let the tobacco industry start on a new course in North Carolina.

East Carolina Farm Credit was established to fulfill unmet credit needs for farmers and

assure that a dependable and reliable source of credit would always be available. East Carolina Farm Credit has been fulfilling this need for farmers since 1917. Farmers still have these same needs for credit and a lender that understands their needs as they did over 85 years ago. Fortunately, the Farm Credit System is there to provide the capital, the experienced staff, the network of offices, the willingness, and the desire to meet those needs. Let's give tobacco farmers the ability to continue to earn a living.

A TOBACCO BUYOUT WILL BENEFIT ALL OF RURAL NORTH CAROLINA

Senator Dole, we are at a turning point. We can sit back idly while we continue to see our tobacco industry slowly and painfully decline, and with this decline a further erosion of our rural communities and our businesses that depend on a strong rural economy. Instead, I hope that we seize the opportunity to change the tobacco industry in a positive way. Let's provide an equitable buyout of the tobacco quota program. Doing so will strengthen eastern North Carolina, it will strengthen the entire state, and it will do so in a way that provides the farmers who are with us today, the farmers that have built eastern North Carolina and it's economy, a way to make a transition.

Senator Dole, your interest and support on issues affecting rural North Carolina, your strong support of the tobacco industry, and your pursuit of a tobacco buyout are very much appreciated. Again, thank you for your leadership on this vital issue and for conducting today's hearing.