

Thank you. I'm Wallace Herring, senior vice president and manager of the Agribusiness division of First Citizens Bank.

This morning I plan to speak from a business perspective about the tobacco buyout and why we need to move forward with it.

Our company has a vested interest in what happens to our tobacco farmers. In 1898, we opened our first office in downtown Smithfield, primarily serving the farmers of this community and then agricultural customers throughout Eastern North Carolina.

Over the last century, our company has expanded to 337 offices in North Carolina, Virginia and West Virginia. While we've expanded our products and services beyond agricultural lending, we've never forgotten our roots.

At First Citizens, we've made a considerable commitment to support this sector of our economy. We have a business development team as well as a credit analysis group devoted solely to farming and agribusiness.

Many of our bank branches are in rural communities, where we provide financial services to farmers, family members and companies who rely on agricultural business for their livelihood.

Without question, tobacco has been a very important part of the economy in these areas, including here in Smithfield. And the potential for a buyout looms heavy on the minds of many people, especially the growers and the quota owners.

As we all know, a tobacco buyout and an end to the tobacco program have been debated for many years. Many of us were hopeful that some type of buyout would take place last year. Obviously this did not happen.

Our customers who operate tobacco farms tell us that they're frustrated with the continued uncertainty over the buyout. It's hard to make long-term decisions - should they finance a new tractor or purchase a bam, for example - when income is tight and they don't know what to expect down the road.

Without a buyout, further quota cuts will continue to put pressure on tobacco growers, owners and our rural economies.

If the forecast by an N.C. State economist who's an expert on this issue holds true, the situation looks increasingly dire -especially if we face the predicted 33 percent cut in quota in next year and lose \$200 million in income.

The bottom line is, unless we move ahead with a buyout, tobacco growers will find it hard to stay in business.

Some farmers will turn to alternative crops to offset quota cuts and decreased income. Others will sell their operations. Some will turn to other lines of work. We all know good jobs are hard to come by, especially in the rural areas of our state.

The current tobacco program not only hurts farmers, but it also compounds the already-distressed economic situation in our rural communities. Many of these areas hard hit by the quota reduction are struggling to discover a replacement for the tobacco dollar, which sustained them for many years. Local companies that do business with tobacco growers are finding that it's hard to make ends meet.

As if this isn't enough, manufacturing plant closures and job layoffs, so common to our state in recent years, are adding to the economic woes in many of these rural areas.

It's time to end the uncertainty and make the buyout a reality, while we still have the opportunity to help our farmers and their communities.

A buyout would allow quota owners and farmers to make the transition if they want to stop raising tobacco. At the same time, it would stabilize the position of larger growers who want to continue their operations.

A tobacco buyout would also make a dramatic impact on our state's economy. Growers and owners would use their buyout payments to settle debts, pay taxes, purchase equipment and supplies, invest in education or diversify their operations.

The buyout's impact would spread to other businesses and sectors, resulting in billions of dollars in additional economic activity. According to a University of Tennessee analysis, North Carolina could see an estimated \$6 billion in additional growth under the proposed House bill - \$1.16 billion in the first year of the buyout alone.

This economic activity would also significantly support the creation of much-needed jobs in our agricultural communities.

In other words, a tobacco buyout would help steady our state's already fragile rural economy and significantly increase business opportunities in these areas.

First Citizens is proud of the partnerships we've built with our agricultural customers over the last 106 years. That's why we support this issue and understand how important it is to the communities and businesses we serve.

I commend Senator Dole for her leadership and for putting together this hearing.

We must continue to keep the public aware of agriculture's value to our statewide and local economies.

And we must support our farmers and take steps to pass a tobacco buyout. Today's meeting is a good start. Thank you.