

On behalf of Wachovia, thank you for inviting me to speak to the subcommittee today and voice my support for a segment of Wachovia's customer base that has been and continues to be very important to our success.

My name is Dallas Taylor. I have been a Wachovia employee for 38 years. All of those years have been spent in various Wachovia locations in eastern North Carolina. Most of my time with the company has been spent providing loan and deposit services directly to agricultural customers, including numerous tobacco growers and quota owners. Currently, I work on the Risk Management side of the bank. Although I am no longer in direct contact with our customers on a daily basis, I am still part of the team that looks for ways to add value through various credit products.

Over the past several years, I have observed first-hand the plight of the farming community in eastern North Carolina. Although change is inevitable within every segment of our economy as business cycles ebb and flow, tobacco farmers have struggled more so than other segments to keep pace with those changes. We have seen balance sheets erode in asset value and equity value due to rapidly declining quota ownership. We have seen tobacco growers' disposable income dwindle due to fewer acres grown, which combined with rising costs leads to reduced profit margins. These changes have put more pressure on the grower to find other sources of income to take the place of what was once a thriving income source. With limited alternatives available, we have seen the number of farmers steadily decline and fewer new farmer start-ups.

The deterioration in tobacco farmers' financial conditions often increases credit risk, resulting in increased bank costs to maintain appropriate capital and increase loan portfolio monitoring. In turn, this reduces credit flexibility with existing customers and prospective new customers.

Since its beginnings in the late 1800's, Wachovia has been a friend to the agricultural community. The farmers and tobacco growers are one of the economic engines in eastern North Carolina. If the farmers are viable, they funnel money into our economy through the purchase of products and services, and they create and maintain a large percentage of jobs in this region. As their financial institution of choice, we have a vested interest in their ongoing success. If our customers thrive and succeed, so do we.

In summary, the financial deterioration of tobacco growers increases our cost to provide credit through higher credit risk, reduces the credit flexibility available to tobacco growing customers, and impairs the financial viability of lending to tobacco-dependent producers. Based on our understanding of the various tobacco buy-out proposals presented to-date, tobacco growers and quota owners would be given the opportunity to better control their own destinies as well as bolster their deteriorating balance sheets and income streams. This may give the tobacco grower the options to expand existing operations, retire from farming or maintain operations at the same level with less fear of further financial deterioration due to quota cuts.

Wachovia is not here to directly support any kind of new legislation. What we are in support of are our customers. Again, thank you for this opportunity to voice our support for valued Wachovia customers. We wish them continued success.