

**Testimony of Ronald J. Allen  
Board Chairman  
Cape Fear Farm Credit  
Fayetteville, North Carolina**

**Field Hearing on the 2012 Farm Bill  
Fayetteville, North Carolina  
June 28, 2010**

Good morning. I'd like to thank the Agriculture Committee for conducting this hearing to begin early discussions on the 2012 Farm Bill, and I appreciate the opportunity to testify. My name is Ronald Allen, and I am a farmer from Bladenboro, North Carolina, about forty miles south of the Crown Coliseum. I have been involved in farming for 23 years, and my operation consists of row crops, timber, eight swine nurseries, twelve poultry houses, and a hunting preserve. I also have a 150-head beef cow/calf operation. For the last five years I have served as Board Chairman of Cape Fear Farm Credit, an agricultural lending cooperative headquartered here in Fayetteville, North Carolina. I am testifying today as a farmer and director of Cape Fear Farm Credit, and I will share some of the issues that affect the Farm Credit System's ability to provide credit to American farmers. As you are well aware, agriculture is an extremely capital intensive business, and Cape Fear Farm Credit has been instrumental in the success of my family's farming operation and our ability to expand over the years.

**Farm Credit System**

To give you a brief background, the Farm Credit System was established in 1916 to provide a dependable source of credit for farmers and rural America. Today the System provides more than one-third of the credit needed by those who live and work in rural areas. It provides more than \$160 billion in loans, leases and related services to farmers, rural homeowners, agribusinesses, and agricultural and rural utility cooperatives. These people depend on the Farm Credit System's funding to provide high quality food and products enjoyed in the United States and around the world. The Farm Credit System has nearly 500,000 members, and there is a Farm Credit office that services every county in the United States.

**Cape Fear Farm Credit**

Specifically speaking of our local cooperative, Cape Fear Farm Credit has close to \$1 billion in loans outstanding to approximately 3,000 members, making it the dominant agricultural lender across its twelve-county chartered territory in southeastern North Carolina. Our cooperative structure is important to member-borrowers giving them a say in how Cape Fear Farm Credit operates, and allowing them to share in the profits. Earnings are retained each year by Cape Fear Farm Credit, and a portion of these earnings are often returned to its member-borrowers, in the form of a patronage dividend, effectively reducing the customers' cost of borrowing money. Since 1988, Cape Fear Farm Credit has distributed \$158 million to its member-

borrowers through the patronage program. The ability to distribute this level of patronage demonstrates Cape Fear Farm Credit's financial strength and commitment to agriculture and rural development in southeastern North Carolina.

Cape Fear Farm Credit utilizes its Rural America Bond Program to help create a flow of money to rural areas for community revitalization and development projects, rural infrastructure, and essential community services just to name a few. Several specific projects include the financing of the North Carolina FFA dining hall at the FFA Center, a nursing home, and a charter school.

During the downturn in the economy and throughout the recession, Cape Fear Farm Credit continued to make credit available to agriculture and our rural communities. With 52 percent of Cape Fear Farm Credit's loan portfolio in poultry and swine, you can imagine the tremendous amount of stress contract growers faced during the last two years with several major poultry and swine integrators filing bankruptcy causing a loss of integrator contracts. Due to its strength and employees' knowledge of these industries, Cape Fear Farm Credit was able to work with these troubled borrowers to create restructure plans ensuring the borrowers' did not lose their homes and farms that had been in the family for generations.

I would like to thank the Agriculture Committee for being aggressive in its efforts to ensure the Farm Credit System is not caught up in the financial regulatory reform legislation. The System is currently working closely with Chairman Peterson and Ranking Member Lucas to ensure we are not included in the legislation, and we appreciate your leadership in this regard as well as the support of the entire Committee.

Over the years, the Agriculture Committee has worked to ensure the System has borrower rights in place and a strong independent regulator, Farm Credit Administration, which oversees the safety and soundness of the System. The wisdom of the Committee in these actions ensured the Farm Credit System was not part of the problem in the recent financial crisis and is continuing to provide essential credit and financial services to those who work and live in rural North Carolina. During the recent financial crisis, the Farm Credit System did not turn down a simple customer due to lack of financing. The market had a great deal of confidence in the Farm Credit System, so we were able to continue to serve our customers from a funding standpoint.

The Farm Credit System is aware that Congress has an interest in reforming housing GSE's as quickly as next year. The Farm Credit System is a cooperative which sets us apart from the other housing GSE's such as Fannie Mae and Freddie Mac. The System is also the oldest and longest serving GSE in the country and focuses exclusively on serving the nation's agricultural and rural sectors. Please be watchful of efforts that may include the Farm Credit System in conversations concerning Fannie Mae and Freddie Mac as Farm Credit does not need to be included in these efforts.

### **Young, Beginning, and Small Farmers (YBS)**

According to the 2007 Ag Census, the average age of a farmer in the United States is 57 years old. Another alarming statistic is that while most age segments have increased from 2002 data, those principal operators less than 45 years of age have decreased by 21 percent which is a testament that fewer young farmers are becoming involved in production agriculture. In planning for the 2012 Farm Bill, we need to ensure that adequate programs are in place to assist in making it feasible for young, beginning and small producers (YBS) to enter into production agriculture.

Cape Fear Farm Credit often utilizes the Guaranteed Farm Loan program through Farm Service Agency. The FSA Guaranteed Loan program assists Cape Fear Farm Credit in extending credit to young, beginning and small farmers that have a limited net worth or may not qualify under its standard loan programs. Cape Fear Farm Credit often runs into roadblocks with the current loan size of \$1,112,000 as many of the loan requests exceed the current limitation. I would urge the Committee to consider increasing the guaranteed loan amount to \$3 million.

### **Crop Insurance**

Crop insurance is one of the most vital risk management tools for American farmers today. The Farm Credit System believes in a strong, vibrant program to ensure we can continue to finance farmers in rural America. It is extremely important that our customers have adequate coverage.

As a farmer from North Carolina, I am proud that agriculture is the number one industry in our state, contributing over \$70 billion annually to the state's economy and employing over 17 percent of the workforce. I'd like to thank you for allowing me to take part in this initial discussion on the 2012 Farm Bill, and I appreciate all the work that the Committee is doing in support of agriculture and rural America.

**Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form**

**House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.**

**Name:** Ronald J. Allen  
**Address:** 6593 Center Road, Bladenboro, NC 28320  
**Telephone:** 910-648-6077

**Organization you represent (if any):** Cape Fear Farm Credit

- 1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

**Source:** n/a \_\_\_\_\_ **Amount:** \_\_\_\_\_

**Source:** \_\_\_\_\_ **Amount:** \_\_\_\_\_

- 2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:**

**Source:** n/a \_\_\_\_\_ **Amount:** \_\_\_\_\_

**Source:** \_\_\_\_\_ **Amount:** \_\_\_\_\_

**Please check here if this form is NOT applicable to you:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

**PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.**

**Committee on Agriculture  
U.S. House of Representatives  
Information Required From Non-governmental Witnesses**

**House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.**

- 1. Name:** Ronald J. Allen
- 2. Business Address:** 6593 Center Road, Bladenboro, NC 28320
- 3. Business Phone Number:** 910-648-6077
- 4. Organization you represent:** Cape Fear Farm Credit
- 5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:**
  - farmer for 23 years
  - Board Chairman – Cape Fear Farm Credit
  - Supervisor – Bladen County Soil and Water Conservation District
  - Board Member – Four County Electric Membership Cooperative
- 6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:**
- 7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:**
  - Cape Fear Farm Credit member and board chairman

**PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.**