Testimony
Of

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Mr. Chairman and members of the Committee, my name is Roger Vanlandingham. I am a Credit Officer for the High Plains Farm Credit, ACA, which is located in Larned, Kansas. Our Farm Credit Association serves twenty-two counties in the west central part of the State of Kansas.

The promotion of the Young, Beginning, Small farmer segment of agriculture continues to be a very important part of our Farm Credit mission. This is especially important to the future of agriculture as well as the System as these customers will be the customers of not only today but tomorrow as well. With the average age of farmers and ranchers increasing every year, we must continue to find ways of replacing this segment of our customer base.

Financing this group of the population is easier said than done as several obstacles quickly get into the way. The first hurdle is that the number of future farmers and ranchers continues to shrink. With the continued limited profitability and high financial risk, being ever present, many parents, relatives, and community leaders push the next generation of potential farmers and ranchers out of agriculture and into “salaried” jobs in town. They picture this as a better opportunity and lifestyle with less personal and financial risk. This problem continues to compound itself as the next generation continues to be smaller and smaller and they push their offspring to town as well.

The second issue is the high capital needs involved in agriculture and the limited returns with high risk associated with it. These factors make it difficult to be successful for existing producers in agriculture and even harder for someone wanting to start. The limited profitability also makes it very difficult for older producers to bring a younger party into their operation, as there is very little or nothing to share.

As demographics continue to show the number of potential Young, Beginning, Small farmers continuing to shrink, it is difficult to create a marketing plan that shows growth in quantitative and/or volume measurements. It is becoming extremely difficult to measure this group of people and even more difficult to gauge those that are financially credit worthy.

It is easy to complain about the difficulties associated with this segment of agriculture and it is difficult to come up with meaningful solutions. As it becomes increasingly harder to finance this segment of agriculture we must utilize all tools available in our own system as well as FSA and State sponsored programs. Sometimes even these tools are not enough.

The high risks associated with the members directly correlates back to the risks that our Association must be willing to take. Even if the lending institution has the financial ability to withstand this risk it sometimes is at the direct criticism of the Regulator. The limited financial strength and cash flows associated with this segment of producer are in direct confrontation to the underwriting standards that are set forth by what is considered prudent. It is extremely important that a balance of good credit administration and risk bearing capacity be reached by the lender and that the third party Regulator understands not only what the lender is trying to achieve but what the Regulator is expecting of them.

As we move into the future these customers will not look like the customers of the past as they will be better educated and treat their operations more as a business than as a lifestyle. They will be very mobile, not tied to anyone geographic or physical location. They will shop for not only their input and equipment needs but the financial needs as well. Many of them will have other business ventures that will be ag-related but due to regulatory issues, not able to be financed by a Farm Credit entity. It is extremely important that we continue to change with them and be flexible to meet their needs. If we are unable to meet their ever-changing financial needs we will no longer be their lender of choice. As lenders and regulators we must be progressive in our pursuit to adapt to these changes, even if it requires expanded interpretation or even continued regulatory changes.

We must also be willing to look at alternative methods of financing these customers, while balancing the potential risk and reward to the Association. This may include partnerships with FSA, State agencies, commercial banks, and even individuals. It may require lenders and other parties to create alliances that where never thought of in the past. The lender may also be required to take on the role as a coordinator. There may be farms and operations where there is no direct succession and yet the desire is to leave the operation intact for the next generation. It may require the lender to act as a third party and bring the generations together to accomplish the wishes of both.

Another, yet very important, partner in this group will also include the Regulator. Any and all efforts made by the lender are in vain if the cooperation of the Regulator is not part of the partnership and understands the efforts being exerted by the lender. It is important that all parties give clear direction in order that the balance of regulatory issues as well as lending goals can be achieved. Cooperation will be required from all partners, and once the direction is established, we must not waiver, even if it is at the criticism of our competition.

In closing, it is very important that we continue in our efforts to meet this segment of our population and it becomes evident that the lender and the regulator must work together to come up with a meaningful plan which accomplishes the goals we set. To do so separately, and without the concurrence of the other parties, both are destined to fail. The Farm Credit Systems must continue to make a strong effort to be a leader in this segment as these customers will be our future.