

Banking on the Farmers

It's a key eastern North Carolina institution in one sector of the credit system that didn't break down during the financial crisis.

AgCarolina Financial is a cooperative with \$1.2 billion in loans made to 3,000 farmer members scattered across 34 counties from Raleigh to Swan Quarter.

And its CEO is a busy Ohio transplant, Eugene Charville, who has been at his post for 21 years. "The satisfaction comes from knowing what you do makes a difference," he says.

AgCarolina is part of the nearly 100-year-old federal Farm Credit System, which was set up during another period of hard times under the Wilson administration way back in 1917.

The Farm Credit System Funding Corp., a government-sponsored entity whose financial practices haven't come under withering criticism, sells Triple A-rated bonds to raise proceeds that eventually flow through the system and into the hands of rural folk.

Even during the worst part of the 2007-08 financial crisis, investor appetite didn't wane for Farm Credit System bonds, which meant the money kept flowing. "This was something we were concerned about for a while," Charville says, adding that the fears didn't materialize.

In North Carolina, the cash raised by the Farm Credit System goes out into agricultural communities through three cooperatives. There's AgCarolina's 34-county eastern North Carolina footprint. Cape Fear Farm Credit, with \$760 million in loans, covers a dozen southeastern counties stretching from Harnett south to Cumberland east to New Hanover.

The third group, Carolina Farm Credit, with \$1.2 billion in loans, covers 54 counties from parts of Durham County all the way to Cherokee County in the far western mountains.

They all basically work the same. At AgCarolina, to become a member, farmers purchase \$1,000 worth of the cooperative's common stock at \$5 a share. In return, they get access to the agency's wide-ranging loan menu, plus a profit sharing program that Charville says has returned \$161 million to members since 1988.

AgCarolina makes loans touching nearly every aspect of the rural experience – for buying and developing land, building farm houses, for equipment, livestock, machinery, and for ginning, sawmilling and general operations.

AgCarolina's farmer members are into just about everything – tobacco, cotton, peanuts, soybeans, corn, wheat, poultry and livestock. "We meet farmers in the field or around the kitchen table," he says. "It doesn't matter."

In addition to the Raleigh headquarters, the agency operates 11 satellite offices throughout its district. The employee rosters number 91.

Roughly half the \$1.2 billion in loan volume has gone for land and improvements, a quarter for equipment and a quarter for short-term operations.

Even though the system's funding sources and basic structure survived the credit crisis, the area in which AgCarolina operates, the eastern North Carolina farming community hasn't escaped the subsequent recession.

Charville sees the effects in lower demand for loans, off 5 percent last year. AgCarolina's net income from operations declined by 18 percent, to \$14.7 million, in 2009, while impaired and loans no longer repaying nearly doubled, to \$23 million, according to the organization's 2009 annual report.

One bright spot has been the decision by Mississippi-based Sanderson Farms to construct a \$126 million poultry processing plant, hatchery and feed mill in Kinston.

Charville and his loan officers have been busy making loans for the construction of chicken houses, helping make up for the fall-off in demand elsewhere.

In the 34 counties in which AgCarolina works, the organization wrote 60 percent of the farm loans. Banks and other lenders wrote the remaining 40 percent. “That means,” he says, “there’s still that 40 percent that doesn’t do business with us –and all those farms and farmers who could benefit by being with us.”