Mr. Chairman and Members of the Subcommittee, I am Paxton Poitevint, Chief Executive Officer of Southwest Georgia Farm Credit, which is headquartered in Bainbridge, Georgia. On behalf of the Association’s Board of Directors, my colleagues, and especially the resilient farmers and rural communities of southwest Georgia, I would like to thank you and the Committee for allowing me to be here today. More importantly, I would like to thank each of you for your dedication to agriculture and the countless hours you’ve spent on a disaster assistance package for the farmers and communities that are suffering from recent storms and wildfires.

Congress established the Farm Credit System more than 100 years ago to provide a safe, sound, and reliable source of credit and related services to farmers and rural communities. Fulfilling this mission requires a strong focus on the credit needs of young, beginning, small, and minority producers, and a commitment to help ensure there is a next generation of farmers and ranchers. Preserving the many farming operations across America is necessary for the survival of our rural communities, and why I firmly believe Farm Credit’s existence is just as critical today as the day the Farm Credit Act was passed in 1916.

In my home state of Georgia, agriculture contributes close to $72.5 billion each year to the state’s economy. With more than 40,000 farms encompassing more than 9.3 million acres of land, one in seven Georgians works in agriculture, forestry, or a related field. Agriculture is the
lifeblood of our local economies. Our farmers create jobs that support local business and industry. They buy food in our local grocery stores; they purchase tires from the family owned tire stores; they seek and receive care at our small hospitals; they send their kids to local schools; and the list goes on. It is safe to assume that when our farmers struggle, our rural communities struggle.

Southwest Georgia Farm Credit serves more than 1,350 customers and maintains approximately $918 million in committed loan volume. Like the other Farm Credit associations around the country, we strive to meet the financing needs of all credit worthy farmers—big or small. More importantly, we seek to build lasting relationships by serving as a trusted resource. We provide training opportunities to develop the skills pertinent to a farmer’s success, including leadership, marketing and risk management. We support their respective trade associations. We invest our time and resources into efforts that benefit the communities in which they reside and raise their families. Such a partnership is necessary to support the delivery of a safe and consistent supply of food and fiber to our country.

Southwest Georgia Farm Credit’s loan portfolio primarily consists of row crops, timber, pecans, and cattle. Our farmers are fortunate to have the ability to grow a diverse mix of row crops, including cotton, peanuts, corn, soybeans, and a variety of vegetables. This is primarily due to soil types, climate, and a consistent supply of well water for irrigation. Such crop diversification and access to water has historically provided significant risk mitigation to both farmers and creditors. However, after several years of suppressed farm income, rising input costs, volatile international trade conditions, and catastrophic weather events, many of our customers are now suffering. The benefits of irrigation, excellent soil types, and mild climate cannot overcome these other factors. Since Hurricane Michael, approximately 10% of our loan portfolio’s credit quality has
deteriorated due to financial related stress on our borrowers, and we expect to see more of this deterioration as we continue to work through annual loan renewals.

On the morning of October 11, 2018, many crops throughout southwest Georgia were at their most vulnerable state for wind damage. Cotton plants were full of fiber and pecan trees were loaded to the hilt with quality nuts and foliage. Much of the peanut crop had been harvested, so most of the farmers had turned their attention to the harvest of what appeared to be a very strong cotton crop; one that would allow farmers to take advantage of an uptick in cotton prices, while improving their production history for crop insurance purposes. Unfortunately, we were quickly reminded Mother Nature has the ultimate say in a crop’s fate. By nightfall Hurricane Michael had swept through our area and decimated most of the cotton and pecan crop. The Category 4 storm also delivered significant damage to ag-related infrastructure and equipment, like poultry houses, grain elevators, and center pivot irrigation systems. According to FEMA, fifteen of the twenty-one counties in which we operate were declared Individual Assistance Disaster Areas, with the remaining six declared Public Assistance Disaster Areas. Not only had Hurricane Michael created tremendous adversity for the current production cycle; for some farmers, the struggle will continue for years to come.

Hurricane Michael’s devastating impact on cotton and pecan farmers was felt immediately. Unable to harvest their crops in many cases, some farmers didn’t make enough money to pay creditors or make necessary repairs to equipment and infrastructure. Fortunately, crop insurance and farm support programs have provided many of the local farmers with the ability to repay some of their annual input costs. At the end of the day, however, some farmers are still faced with significant cash shortages—meaning there simply isn’t enough earnings from their operations to repay their input costs and their debts on land and equipment, not to mention annual living expenses. As an example, a cotton and peanut farmer in our area with a thousand
acre operation experienced significant cotton loss as a result of the storm. The farmer maintained multi-peril crop insurance coverage, but the proceeds received from the insurance claim and his peanut harvest were still insufficient to pay off his operating line of credit and his open accounts maintained at the local farm supply businesses. Therefore, the farmer had to secure an additional loan for the shortage in order to renew the operating line of credit and continue farming in 2019. Doing so further eroded the farmer’s equity and placed additional stress on his balance sheet, all the while heading into another year of uncertainty based on projected commodity prices and average farm net income.

Many of our farmers have vertically integrated their production operations by acquiring ownership in downstream processes like peanut shelling plants and cotton gins. As a result of the storm, the cotton gins in our area had significantly less product to run through the operation causing severe cash shortages. Some of the gins in our area are ginning less than 25% of their normal annual throughput. Given such a reduction in production, gins are unable to generate the profits needed to pass supplemental income back upstream to their farmer-owners. Even worse, the gins are also challenged to make their debt obligations. In cases like these we are restructuring debt and offering additional working capital loans to carry these borrowers through the 2019 ginning season.

The long-term implications to our pecan producers are severe. Many of these operations have supported multiple generations—but their future succession plans may be at risk due to the amount of lost income as a result of tree loss. There were thirty to seventy year-old stands of pecan trees blown to the ground. Considering it typically takes seven to ten years for a pecan tree to produce a crop, one can see how difficult it becomes to satisfy any debt associated with the property. For example, one of our pecan producers was within a couple weeks of harvest when Michael came through the area. The annual production costs had been incurred and the trees were prepared to deliver the best yield historically for the grove. The storm destroyed approximately 60% of the trees and blew all the nuts on the ground. In order to harvest the crop on the ground, the downed trees would have to be removed using heavy equipment, which would ultimately destroy most of the nuts. There was crop insurance and grant funding available to cover some of the production costs and cleanup, but these funds were insufficient to cover all the
irrigation repair and replant new trees. With approximately 40% of the trees left standing and land debt to repay, earnings coming from the battered orchard are projected to be insufficient to repay the debt. We are working with many of these producers to find the best possible outcome, so they can continue to farm.

As for the timber in our area, the Georgia Forestry Commission estimated approximately 2 million acres were impacted by the storm, resulting in total losses of approximately $763 million. More than 7,000 Georgia forest landowners were impacted, many of which were farmers that were dependent upon this income to contribute to their living expenses or to diversify their farming operations.

Regardless of the situation facing our farmers and rural communities, Southwest Georgia Farm Credit remains committed to fulfilling our congressionally mandated mission. As a cooperative, we return our profits to our customers over time. Recognizing the immediate need following Hurricane Michael, we made two early dividend distributions totaling more than $5.2 million. We also made significant contributions to local charitable organizations, such as United Way and a local food bank, to assist with community-wide recovery efforts. We are currently working with our borrowers to finance their operating losses when justified, provide funds to repair equipment and infrastructure, and renew operating lines for the 2019 production cycle.

As you can imagine, many of the farming families in our area have depleted their equity and liquidity as they’ve tried to salvage their operations. Given lower projected commodity prices lower projected farm income, and volatile trade markets, farmers and rural communities are struggling. This further supports the need for a strong Farm Bill, especially as it relates to crop insurance, farm support programs, and trade agreements. But more importantly, farmers in southwest Georgia need federal disaster assistance now.

Thank you very much for the opportunity to testify and I will be happy to answer any questions from the Committee.