

State Water Resources Board Hearing

Bay-Delta SED

March 20, 2013



- Good morning. My name is Leonard Van Elderen. I am the President and CEO of Yosemite Farm Credit. We are an ag lending cooperative and our only business is making loans to farmers; primarily family farmers. The majority of the acres that secure our loans are irrigated by Modesto, Turlock, Merced, and Oakdale Irrigation Districts.
- Our headquarters is in Turlock. 85% of our borrower-members are located Stanislaus and Merced Counties.
 - We have \$1.75 billion in farm and agribusiness loans
 - We lend to 1,450 farmers and ranchers, primarily in these two Counties.
 - Loans to dairymen, almond farmers and walnut farmers make up 65% of our total loans. The balance is made up of a wide variety of commodities, most of which require irrigation.
 - We also employ 106 people in 6 offices in these 2 Counties. We have a budget of \$20 million that feeds into our local economy.
- The proposal that the State Water Board has put forward will drastically alter the momentum that ag has brought to the economy of our region. This will also increase our risk as a local ag lender.

- An unreliable source of surface water will do permanent damage to the families that farm in the impacted area. They cannot afford to sit out of farming during dry years and jump back in when there is water.
 - Many of our borrowers own one parcel and rely wholly on surface water. Our loans, like most ag lenders, require monthly or annual payments. The bond market, which is where we get our money to lend, is not going to let us skip a payment in a dry year.
 - Dairies do not have the option of simply shutting down like a factory. Cows need to be fed each day.
 - Irrigated orchards that last 25-40 years cannot be dry farmed 20-30% of the time. Trees die without water.
 - Reducing the water supply will also hurt supporting industries. Jobs for farm labor, feed companies, nurseries that grow trees, and labor at dairy and nut processing facilities will also be negatively impacted.
- Our loan application process addresses many issues.
 - One of the first steps is to talk about the property being farmed. Quality of soil is the first question.
 - The next question that always comes up is the source of water. Is it clean and is it reliable? Without a reliable source of clean water the values are decreased, which means we reduce loan amounts. Without a reliable source of clean

water crop production decreases which means we also reduce loan amounts.

- As a lender it is a high risk to lend to farms that do not know if they will have the water they need until they are well into the growing season. That is not the kind of risk on which our local cooperative has been built.
- The other risk is that if this source of clean surface water is diverted and there is more deep-well pumping it will cause more problems with water quality and subsidence. Land values typically decline when land has no option but to lay fallow i.e. is unproductive or requires more expensive ground water pumping.
- Our lending cooperative serves many young farmers and ranchers (<35 years) and also serves many beginning farmers (<10 years in farming). These 2 groups of family farmers will be greatly disadvantaged in attempting to establish their own operations. As with any startup business these two groups of farmers cannot afford to fallow irrigated ground at unknown intervals with no income.
- The vast majority of the farmers in our area are family operations that have been established for decades. Drastic cuts in surface water will limit their long term viability. We make 25 year loans. How exactly are we to factor in how many and what years will be dry with reduced surface water available?
- You are asking the two Counties we serve to bear the burden of this proposal; a proposal that your documents say will benefit South Delta farmers with junior water rights. This adds additional risk to our institution and our area.

- On behalf of the borrower-members that we serve in Stanislaus and Merced Counties, Yosemite Farm Credit respectfully requests that you do not approve this proposal.