

October 26, 2001

Action Plans

Division/Branch: Agricultural Loan

Program Objective: To promote the agricultural and aquacultural development of the State by stimulating, facilitating, and granting loans to qualified farmers.

Priority Goals & Objectives

Dept'l Objectives Being Pursued: To facilitate the growth of existing and new agricultural products and by-products for local and export sales.

Goal: Increase loan activity.

The Division intends to play a pro-active role in financing both agriculture and aquaculture ventures. Timing is opportune as agricultural diversification, growth and establishment is in its infancy. The Division recognizes that it can play a significant role in this growth. It is envisioned that these activities will enhance the number of loan requests in addition to the normal or historic loan activity. The Division's goal is to make approximately 150-200 loans totaling \$15-\$20 million by 2006. These loans would be provided for a host of purposes. In some cases the loans can help farms expand, while in other situations the loans can help farms become more efficient, survive unforeseen disasters, or even sustain existing levels of operation. In addition to the primary purpose of assisting borrowers with their particular financial requirements, loans can provide additional economic benefits to the State. While the Division realizes that measuring economic impacts of the loans is an inexact undertaking, the Division has attempted to estimate the increase in revenues and jobs pertaining to expansion loans as an indicator of program impacts. In FY99 and FY00, 35 loans were made and \$4.618 million provided primarily for expansion purposes. Based on a sampling and an extrapolation, it is estimated that the loans would help increase the farms' revenues by about \$12 million over two years and increase farm employment (full-time, part-time, and seasonal) by 150. Within the same two fiscal periods another 24 loans were made and \$2.439 million provided for purposes other than expansion. Among some examples are providing funding to help a farm

recover from a drought, providing financial assistance to enable farms to plant disease resistant crop varieties, purchasing farm equipment to improve operational efficiency, and repairing aging greenhouse structures. For these non-expansion type of loans, measuring increases in revenues and jobs do not provide a meaningful indication of economic impacts. The loans, however, served important purposes that are difficult to measure in numerical terms such as helping an operation recover from an environmental disaster, enabling farms to plant disease resistant crop varieties to continue farming, and improving farm efficiency.

While attempting to meet the goals, the Division will continue to consider all applicants meeting the necessary eligibility and underwriting criteria. At the same time, the Division will seek to increase loan activity through participation and insured loans with private lenders, and through direct loans. A planned outreach program and a plan to secure sources of funding are an integral step toward increasing loan activity. Success of achieving the goals indicated below are dependent upon resources, the prevailing business/economic conditions, and the private lender's willingness to work in partnership with the Division in funding agricultural loans.

#### Targets and Timetable

Identify Target*	FY02	FY03	FY04	FY05	FY06
o Target of 30-40 loans in FY02.	X				
o Target of \$3.0-\$4.0 million in direct, participation and insured loans in FY02.	X				
o Target of 30-40 loans in FY03.		X			
o Target of \$3.0-4.0 million in direct, participation and insured loans in FY03.		X			
o Target of 30-40 loans in FY04.			X		
o Target of \$3.0-\$4.0 million in direct, participation and insured loans in FY04.			X		
o Target of 30-40 loans in FY05.				X	
o Target of \$3.0-\$4.0 million in direct, participation and insured loans in FY05.				X	
o Target of 30-40 loans in FY06.					X
o Target of \$3.0-\$4.0 million in direct, participation and insured loans in FY06.					X

\*For each year, it is estimated that 65-75% of the number of loans made and the dollar amounts loaned will consist of direct loans, while the remaining 25-35% of loans and dollars loaned will consist of participated/insured loans.

Presently, the State is experiencing the rebirth of agriculture. With the closures and/or downsizing of most of the State's sugar and pineapple operations, prime agricultural land, water and labor is available. Entrepreneurs are taking advantage of this window of opportunity to diversify and expand agriculture and aquaculture. These entrepreneurs come from diverse backgrounds. Many are immigrants and do not have a good command of English. Some are seeking a rural farming lifestyle. Others have obtained education and/or experience in agriculture and are desirous of continuing their livelihood in agriculturally related fields. Still others have farmed most of their lives, while others see an opportunity to enjoy the fruits of an open market economy. This influx of farmers has created an information gap in regards to sources of financing at reasonable rates and terms.

Adding to this information gap is the recent and ongoing restructuring at many local financial institutions. Many of the personnel employed by the private financial sector are no longer in their former positions. New personnel may lack the expertise in agricultural and/or aquacultural lending and may also be uninformed as to how the Division's programs may assist their borrowers as well as their employer. This has contributed to the reduced number of requests for the program's participation and insured loan facilities. Compounding this information gap is the numerous program changes that have occurred within the past 5 years.

To address this information gap, the Division is developing and implementing a multi-pronged outreach program. This outreach will educate potential and/or prospective borrowers, and potential and/or prospective private lending institutions on the various loan facilities and how they might benefit the producer as well as the private institution.

The Division has developed a broad spectrum of informational material for dissemination. Materials are being prepared in-house using available technology and will allow for expedient modifications (if required) at low cost. These include but are not limited to brochures, fact sheets, posters, etc.

Key personnel at private lending institutions are being contacted to arrange visits and appropriate presentations. Regular branch visits will also be initiated. This rebuilding of relations is an integral step toward increased activity regarding participation and insured loan facilities. It can also lead to more direct loan referrals, as applicants that are ineligible for participation or insured loans may be directed by the private lenders to the Division for consideration.

The Division also is spotlighting the program via avenues such as the Department's web site, approved press releases, and magazine ads.

Commodity and association group meetings will also continue to be arranged. It is intended that program personnel not only provide educational information regarding the program, but to meet the producers and get a prospective of problems they have encountered in the financing arena.

Lastly, the Division has been developing a database on loan activities. The data will be analyzed to determine the best returns on the efforts as well as to recognize and identify areas that may require additional efforts.

The Division sees the outreach program as a dynamic and evolving process. The Division will continually assess the outreach program to make amendments or modifications as needed. To reach the goals indicated, the Division does recognize that as a lender of last resort, certain restrictions are in effect and need to be considered. For example, unless allowed by legislative mandate, the program cannot compete with private lenders. Recognizing program restrictions, however, the Division does recognize that certain specific problems encountered by producers will need to be considered and addressed when appropriate, including drafting of legislation for the situation.

As a self-sufficient entity, the Division operates from its own revolving funds. The Agriculture Loan Revolving Fund and the Aquaculture Loan Revolving Fund are used to provide needed financing to qualified entities. Moneys repaid are re-deposited into these accounts to be used for future approved loans. From interest collected, the Division funds all of its operating costs.

Much of the surpluses formerly in these funds were returned to the General Fund. Current balances in both funds may not be adequate to address future short-term needs.

Three areas will be focused on. These include concentrating on collection efforts, encouraging private lending institutions to fund loans through participation and/or insured facilities, and securing general fund appropriations.

Collection efforts are ongoing. Continued oversight in this area will continue. Through outreach activities and the rebuilding of relationships with other lenders, the pool of financing for agriculture can be increased. The Division will diligently monitor revolving fund balances to ensure adequate loan financing levels and as a last resort seek additional funds through general fund appropriations.

<u>Identify Task</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
o Refine informational material.	X				
o Arrange/meet/revisit with decision makers of 3 or more commercial lenders annually.	X	X	X	X	X
o Arrange/meet/revisit with 12 or more bank branches situated in areas with substantial agricultural/aquacultural activity annually.	X	X	X	X	X
o Arrange/attend 3 or more commodity/ Association group meetings annually.	X	X	X	X	X
o Program promotion via Internet, Farm Bureau newsletters, commodity/ association newsletters annually.	X	X	X	X	X
o Refinement of data base.	X				
o Analysis of data base		X			
o Step up collection efforts.	X	X	X	X	X
o Outreach program to attract and increase participation and/or insured loan activity.	X	X	X	X	X
o Monitoring of revolving funds to determine adequate financing needs.	X	X	X	X	X