

State of Hawaii
Department of Agriculture
Agricultural Loan Division

November 26, 2024

Board of Agriculture
Honolulu, Hawaii

SUBJECT:

Loan Presentation

APPLICANT:

Tai Shan Farms, Inc.
92-1329 Prince Kuhio Blvd. #4-178
Captain Cook, HI 96704

William Kevin Begemann
92-1329 Prince Kuhio Blvd. #4-178
Captain Cook, HI 96704

Aida Esther Zamora
92-1329 Prince Kuhio Blvd. #4-178
Captain Cook, HI 96704

CLASSIFICATION
& ELIGIBILITY:

The applicants meet the qualification under Hawaii Revised Statutes (HRS) Chapter 155-1, as Qualified Farmers and meet the general eligibility requirements under HRS 155-10. William Kevin Begemann has lived in Hawaii for 8 years. Aida Esther Zamora has been a Hawaii resident for 20 years. Mr. Begemann has been farming in Hawaii since 2016 and Ms. Zamora since 2019. Tai Shan Farms, Inc registered with Commerce and Consumer Affairs on February 20, 2013, and has been operated by Mr. Begemann since November 2016. Tai Shan Farms, Inc. stocks are held by Mr. Begemann and Ms. Zamora with each owning a 50% share.

COMMODITY:

Dragon Fruit, fruit, vegetables, herbs

A1

A2

CREDIT HISTORY:

SEE EXHIBIT A (CONFIDENTIAL)

OTHER STATE
AGRICULTURAL
LOANS:

None

LOAN REQUEST
& PURPOSE:

<u>Amount</u>	<u>Class A</u>
\$165,400	Refinance Seller Financing
\$165,400	Total Request

This loan request will enable the applicants to pay off a seller financing loan of \$180,000 used to purchase the 2-acre farm parcel. The loan has a balloon payment coming due on Jan 15th, 2025. The proposed loan will allow the debt to be fully amortized and keep the farm in operation.

TERMS:

Class A - Direct Farm Ownership Loan

Amount: \$165,400
Term: Thirty (30) Years
Interest rate: 7.50% per annum, fixed.
Repayment: Monthly principal & interest payments of \$1,157.00 until maturity.

SECURITY:

The Class A will be secured as follows:

- 1) First position mortgage on two 1-acre fee simple farm properties identified by Tax Map Key (TMK) (3) 9-2-029-062 & (3) 9-2-029-063. The properties are owned by Tai Shan Farms, Inc. and are located at 92-9089 and 92-9085 Lehua Lane in Hawaiian Ocean View Estates (HOVE) subdivision in Kau. The property is fully

fenced and contains a permitted 320 square foot shed. The properties have a 2024 market of \$96,600 as appraised by Hawaii County.

2) Junior position mortgage on an adjoining 1-acre home/certified kitchen property identified by TMK (3) 9-2-029-061. The property is located at 92-9095 Lehua Lane in HOVE and personally owned by Mr. Begeemann & Ms. Zamora. The property has a permitted 2,198 square foot home and 500 square foot Quonset hut storage shed. The property has a 2024 market value of \$516,500 as appraised by Hawaii County.

3) First lien blanket financing statement on all crops, accounts, inventory, farm equipment, tools, and farm equipment. Farm equipment includes a Kubota tractor, Prep fridge, Saba storage fridge, convection oven, flattop grill, fryer, Honda quad, Bearcat woodchipper, Cement mixer, and a weather station along with many small tools.

Shown below is the loan-to-value (LTV) ratio for the proposed loan:

Loan to Value \$320,000 (1st Mortgage) + \$165,400 (SAID Proposed) = 79.17%
Ratio: \$613,100 (TMK: Total Assessed Value)

The LTV ratio of 79.17% meets the program's statutory requirements for Class A Loans and the loan will be fully secured with the real estate. The equipment was valued by applicants at \$24,500, however, due to the abundance of value in real estate and the proposed term of the loan the equipment value was not included in the above loan to value calculation.

GUARANTORS: None.

FINANCIAL
CONDITION:

SEE EXHIBIT A (CONFIDENTIAL)

A3

AA

REPAYMENT
ABILITY:

SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

Liability Insurance

BACKGROUND/
MANAGEMENT
ABILITY:

Tai Shan, Inc was originally started by Mary & Donald C. McNabb, Sr. in 2013. While on vacation in 2016, Mr. Begemann met the McNabbs at their stall at a farmers' market. From there the conversation continued and ended with Mr. Begemann purchasing the entire 3-acre farm in November 2016. Mr. Begemann has had a lifelong appreciation for quality food, further deepened by a medical condition which was helped by eating a healthy diet. While living in Portland, Mr. Begemann worked as a real estate broker and maintained a home garden. When he bought Tai Shan Farms, one of the main draws was to create healthy value-added products.

Ms. Zamora joined the farm in 2018 resonating with Mr. Begeman's goal. She began by helping mostly in the kitchen. In 2020 she became a co-owner of the farm. Ms. Zamora handles much of the administrative labor. She recently returned to working as a registered nurse as the farm transitions from farmer market sales to value added products. She uses her time outside of work on the farm.

The operation consists of three parcels with one acre consisting of the residence with a commercial kitchen and the other two adjoining fully fenced acres are the growing acreage. The farm has irrigation throughout, a permitted 320 square foot shed, a pavilion event space with 4 dinner tables, 2 smaller sheds, and 20 fence trellis for the dragon fruit approximately 300 feet in length. Mr. Begemann was able to finance the home acre with a private mortgage company. The farm parcels were financed by the sellers for \$180,000. The farm's 2-acres are fully fenced as one unit. The farm uses Korean natural farming methods

making their own inputs and will use a garlic barrier from time to time.

Taking advantage of the steep southwest facing slope there are twenty parallel trellised rows running across the property for the dragon fruit to grow on. Dragon fruit enjoys the long sun exposure and well drained substrate. The plants did very well until 2018 when Kilauea calmed, subsequently changing the weather pattern according to Mr. Begemann. Since then, increasing rains have caused less suitable growing conditions for dragon fruit and have resulted in decreased yields. Mr. Begeman has inter-cropped pineapple, lilkoi and other crops between the dragon fruit to create crop diversity and increase farm production. Other crops include okra, squash, peppers, lettuce, tomato and herbs.

SUMMARY:

The applicants show adaptability in their farming and dedication to the local community's health. Between Mr. Begemann's experience as a farmer and chef and Ms. Zamora's nursing background they remain laser focused on the wellbeing of their community. Their short, intermediate, and long-term goals are well articulated and are informed by their backgrounds. They have demonstrated a willingness to grow beyond their initial focus.

The farm was in good condition despite the disease issues with their primary crop. By refinancing the balloon payment, they will be able to continue to sell high-quality value-added farm products and produce. The proposed loan is well secured by the real estate and further secured with equipment.

Their management and farming ability, excellent credit history, historical farm performance and projected cash flow provide sufficient support for the loan.

TURNDOWNS:

Farm Service Agency and American AgCredit declined the subject's loan request for insufficient collateral.

AS

ALB

RECOMMENDATIONS:

Approval of this loan is recommended based on the applicants' proven farming record, strength of collateral, personal credit history, and projections.

Conditional to receipt of tax clearances.

Date

Recommended by:

11/14/24

Jillian Schibe
Jillian C. Schibe
Agricultural Loan Officer

Date

Reviewed and concurred by:

11/14/24

Dean M. Matsukawa
Dean M. Matsukawa
Agricultural Loan Division Administrator

Date

Approved for submission:

11/14/24

Sharon Hurd
Sharon Hurd
Chairperson, Board of Agriculture