

# The Kohala Center

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## Laulima Center



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## Business Planning

Refine your business strategy

Develop a thorough business plan with financial projections

1. Brainstorm your business goals and expectations:  
Schedule (full time, part time, seasonal)? Salary and revenue? Labor?  
Product (raw commodity, value added...)? Market? Niche (high end, organic, specialty export, etc.)?
2. Develop financial projections, based on costs and revenue streams
3. Research your idea: similar businesses, markets, professional connections in your community

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## Business Planning (2)

4. Seek 'technical assistance' in the form of business development, business plan writing, feasibility studies, market analyses, research, consulting, etc.

Small Business Development Centers, UH/CTAHR – Agribusiness Incubator Program (AIP), The Kohala Center, Private Consultants

5. Identify anticipated challenges; how will you address them?
6. Seek financial assistance if needed

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## Injecting Capital:

### Sourcing funds in stages versus 'all at once'

While you can take out a large loan or redirect your savings towards your agricultural business ... be careful about going into too much debt in the beginning. Consider STARTING SMALL and build your business based on your market and your capabilities.

Revisit your business plan and ask yourself:

What are the various stages of my business?

What is the income producing potential at each stage of the business?

How does my business timeline for producing income relate to the capital assets needed at various stages?

Should I apply for a loan or a grant? What are the pros and cons?

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## Should I apply for a loan or a grant?

	LOANS	GRANTS
PROS	<ul style="list-style-type: none"><li>• Immediate source of funds</li><li>• Encourage fiscal responsibility (accurate projections, sustainable financing mechanisms, strategic marketing, and reliable revenue generation streams)</li><li>• Fewer limitations on use of funds</li><li>• Develop credit history</li><li>• Access larger pools of financing</li></ul>	<ul style="list-style-type: none"><li>• Do not require repayment</li><li>• Encourage business development along specific pathways (research, value-added products)</li><li>• Can be useful in seeding start ups, however commonly geared towards Coops and Nonprofits</li></ul>
CONS	<ul style="list-style-type: none"><li>• Require repayment</li><li>• Eligibility may be challenging for some small businesses because collateral is often required (real property or business inventory)</li></ul>	<ul style="list-style-type: none"><li>• Competitive; open once a year</li><li>• Applications are lengthy and can be challenging</li><li>• Project duration is restricted</li><li>• Typically not for equipment and production expenses</li><li>• Matching funds can be required</li><li>• Eligibility requirements are specific</li><li>• Limitations on use of funds</li><li>• Bureaucratic accountability can be challenging</li><li>• Periodic reporting required</li></ul>

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## Financial Planning

Lenders look for: a conservative business plan, significant equity contribution, capable management, realistic repayment ability, good credit history, collateral

1. Commercial Loans: Banks, Credit Unions
2. Lending Institutions: Hawaii Department of Agriculture, Farm Credit Services, Farm Service Agency (FSA), Microloan Programs (i.e. Feed The Hunger Foundation)
3. Cost Share Programs: NRCS EQIP (Env. Quality Incentives)

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## Financial Planning (2)

4. Private Equity Investment: Venture Capital, Angel Investing, Seed Funding  
Ideal for small companies with limited operating history; typically provided in a businesses' early stages, and to high-potential, high-risk, start-ups; investors own equity or purchase parts of a business, and support it until the business can generate cash on its own
5. Crowd Funding: IndieGoGo, Kickstarter, Microventure  
Similar to a subscription business model: web-based 'crowds' support business ventures proposed by others and advertised through online crowd funding platforms
6. Grant Programs  
U.S. Department of Agriculture: Rural Dev., NRCS, NIFA, AFRI...  
Sustainable Agriculture, Research, and Education (SARE)  
On island: Island Innovations Fund, Richard Smart Foundation, local banks ...



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USDA Rural Development

## USDA RURAL DEVELOPMENT - OREGON BUSINESS & COOPERATIVE PROGRAMS

USDA Program	Purpose What is the program's goal?	Program Type How does it work?	Eligible Applicants Who may apply?	Eligible Areas What is rural?	Authorized Purposes How may funds be used?	Typical Amount of Assistance	Rates & Terms Subject to change	Key to Success	When to Apply
<b>B&amp;I Guarantee</b> Business & Industry Guaranteed Loan	Provide an <u>interest-free</u> <u>loan</u> for <u>business</u> <u>loans</u> that will <u>save</u> & <u>create</u> <u>jobs</u> (typically for larger businesses)	USDA <u>guarantees</u> business loans made by commercial lenders	Banks, credit unions and other commercial lenders who make loans to rural businesses	Areas outside the urbanized edge of cities of >50,000 population	The loans guaranteed can be used for real estate, equipment, working capital & refinancing - for nonfarm businesses	80% loan guarantees for loans of \$200,000 to \$5 million; 70% on loans up to \$10 million	Negotiated by business & lender; fixed or variable rates, typically near prime (no balloons)	The program is <u>underwritten</u> ; have a bank willing to make the loan (USDA only guarantees it); business with strong equity & collateral	Year-round
<b>IRP</b> Intermediary Relending Program	Capitalize <u>locally-run</u> <u>revolving loan</u> programs for small businesses unable to qualify for bank financing	USDA loans money to a local revolving loan fund for relending to nonfarm businesses	Nonprofit groups, tribes & public bodies who will make loans to rural businesses	Unincorporated areas & \$25,000 population cities	The loan is used to set up a loan program that makes business loans for nonfarm, rural businesses	\$200,000 - \$750,000 loans to re-lenders to make loans up to \$150,000 to businesses	1%, 30 years to re-lender to make loans at near-prime to rural businesses	Funding is limited, so these loans tend to go only to loan funds that will serve the neediest areas	Year-round with a quarterly competition at the national level
<b>RBEG</b> Rural Business Enterprise Grant	Support economic development projects that will <u>assist</u> <u>specific</u> <u>small</u> & <u>emerging</u> <u>private businesses</u>	Grants to local economic development groups to assist private business development	Nonprofit economic development groups, tribes, & public bodies (cities/counties)	Areas outside the urbanized edge of cities of >50,000 population	To do a <u>feasibility study</u> , provide <u>technical assistance</u> to businesses, provide <u>job training</u> , set up a revolving loan fund, or develop <u>infrastructure</u>	<\$25,000	Grant	Limited funding; tends to go only to neediest areas; cannot be used for regional planning or business attraction	Once-a-year competition at state level
<b>RBOG</b> Rural Business Opportunity Grant	Support <u>economic</u> <u>development</u> <u>planning</u>	USDA makes grants to support general economic growth & planning	Nonprofit economic development groups, tribes and public bodies	Unincorporated areas & cities with <50,000 population	<u>Regional planning</u> , <u>area economic strategy</u> , <u>technical assistance</u> for businesses & <u>local leadership development</u>	<\$50,000	Grant	Limited funding; grants tend to go only for projects helping the neediest areas	Once-a-year competition at national level
<b>VAPG</b> Value-Added Producer Grant	Support producers in <u>ventures</u> that will <u>increase</u> the return on their <u>agricultural</u> <u>commodities</u>	USDA provides matching grants for value-added ventures	Farmers, ranchers, foresters and fishers; coops; producer groups & joint ventures	No rural area requirement	Grants for planning or working capital to operate value-added ventures; minimum 1:1 match required	<\$100,000 (planning); <\$300,000 (working capital)	Grant	Application requirements are complex, so consult with USDA well in advance of application deadline	Once-a-year competition at national level
<b>SSDPG</b> Small Socially Disadvantaged Producer Grant	Foster business success of coops of small, minority <u>agricultural producers</u>	USDA makes grants for technical assistance projects	Coops with >75% women or minority members of small, minority producers	Areas outside the urbanized edge of cities of >50,000 population	<u>Feasibility or market studies</u> , product improvement, training or legal advice	<\$175,000	Grant	Preference for experience & projects that help the most farmers & smaller, poorer communities	Once-a-year competition at national level
<b>RCDG</b> Rural Cooperative Development Grant	Support centers to assist cooperatives	USDA makes grants to centers for rural cooperative development	Universities and nonprofit economic development groups	Outside the urbanized edge of cities of >50,000	To operate centers that assist rural cooperatives	\$250,000 - <\$300,000	Grant	Limited funding; grants tend to go to projects helping the neediest areas	Once-a-year competition at national level

More information on all of these programs is available online at [http://www.rurdev.usda.gov/OR\\_Home.html](http://www.rurdev.usda.gov/OR_Home.html).

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## Value Added Producer Grant (USDA, RD)

### General Information (1):

- **Why?:** Assist producers to enter into value-added activities related to the processing and/or marketing of bio-based value-added products
- **End goals:** generate new products, create and expand market opportunities, and increase producer income
- **Funds available:** \$100K for planning grants; \$300K for working capital (must be matched 100%)
- **Am I eligible?:** You must be one of the following:  
independent producers, agricultural producer group, farmer or rancher cooperative, or a majority-controlled producer-based business venture

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## Value Added Producer Grant (USDA, RD)

### General Information (2):

- **What is a value added product?:** Methodologies to achieve 'value-added ag products' include: (1) change in physical state – milk to cheese, (2) produced in a manner that enhances the value of the ag commodity – organic carrots, free-range eggs, (3) product segregation – GMO from non-GMO, (4) farm or ranch-based renewable energy – dairy manure into methane and electricity (wind, solar, geothermal, and hydro are not eligible), and (5) locally-produced ag food product – 100% of the product raised/produced will be distributed within 400 miles from product origin or within the State it was produced

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## Value Added Producer Grant (USDA, RD)

### General Information (3):

- **Find out more:** Read previous application guides (careful, they change year to year) and visit the USDA-VAPG site on the web @ [www.rurdev.usda.gov/BCP\\_VAPG.html](http://www.rurdev.usda.gov/BCP_VAPG.html)
- **When is it due?:** Applications are typically due in the fall

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**The Kohala Center and  
Laulima Center for Cooperative Business Development  
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