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(FORM UPDATED: 08/11/2010)

## WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

**2003-04**

(session year)

**Assembly**

(Assembly, Senate or Joint)

**Committee on Agriculture...**

### COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

### INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
  - (**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)
  - (**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Stefanie Rose (LRB) (August 2012)

## Assembly

### Record of Committee Proceedings

#### Committee on Agriculture

##### Assembly Bill 684

Relating to: creating the Wisconsin Rural Finance Authority, authorizing the Wisconsin Rural Finance Authority to operate certain agricultural programs, and eliminating the authority of the Wisconsin Housing and Economic Development Authority to guarantee certain loans made for agricultural purposes and to operate a loan program for beginning farmers.

By Representatives Ott, Ainsworth, Musser, Suder, Olsen, Jensen, Plouff, Loeffelholz, Towns, Hahn, Freese, Gielow, Albers, McCormick, Hines, Bies, Owens, Weber, Vruwink, Lothian, Zepnick, Hundertmark, Kestell, Gunderson, Balow, Petrowski, Molepske, Hebl, M. Williams, Miller and Van Roy; cosponsored by Senators Schultz, S. Fitzgerald, Welch, A. Lasee, Brown, Harsdorf, Roessler and Lassa.

December 01, 2003 Referred to Committee on Agriculture.

December 11, 2003 **PUBLIC HEARING HELD**

Present: (12) Representatives Ott, M. Williams, Ainsworth, Petrowski, Kestell, Hines, Loeffelholz, Towns, Plouff, Balow, Hebl and Molepske.

Absent: (3) Representatives Suder, Gronemus and Vruwink.

##### Appearances For

- Representative Al Ott, 3rd Assembly District
  - State Representative Gene Hahn, 47th Assembly District, Madison
  - Bill Oemichen, Wisconsin Federation of Cooperatives, Madison
- Sam Miller, M & I Bank, Appleton  
Mark Benversie, Investors Community Bank, Reedsville  
Greg Steele, Agstar Financial Services, River Falls

##### Appearances Against

None.

##### Appearances for Information Only

Will Hughes, DATCP, Madison  
Chris Gunst, WHEDA, Madison

##### Registrations For

State Senator Bob Welch, 14th Senate District

Daryll Lund, Community Bankers of Wisconsin, Madison  
John Malchine, Badger State Ethanol, Wind Lake  
Jodi Bloch, WI Bankers Association, Madison  
Alexander Samardzich, Ace Ethanol, Bruce  
Amy Winters, Wisconsin Fertilizer & Chemical Assn, Wisconsin  
Agribusiness Council, Crop Life America, Madison  
Bob Oleson, Wisconsin Corn Growers Association, Palmyra  
Bob Sather, WI Ethanol Producers Association, Chippewa Falls  
Paul Zimmerman, Wisconsin Farm Bureau Federation, Madison

Registrations Against

None.

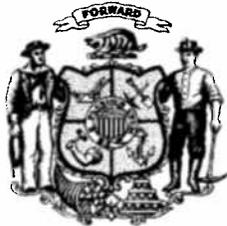
March 11, 2004

Failed to pass pursuant to Senate Joint Resolution 1.

Erin Napralla  
Committee Clerk



# WISCONSIN STATE LEGISLATURE





State of Wisconsin  
Jim Doyle, Governor

Department of Agriculture, Trade and Consumer Protection  
Rod Nilsestuen, Secretary

### Testimony of

Will Hughes, Administrator  
Division of Agricultural Development  
Wisconsin Department of Agriculture, Trade and Consumer Protection  
December 11, 2003

Chairman Ott and members of the Committee, thank you for the opportunity to testify today on AB 684. I am here today to commend you and the 37 cosponsors of this bill for taking the lead to create a Wisconsin Rural Finance Authority.

DATCP wholeheartedly supports the creation of an independent authority to bring focus to state programs to address critical finance gaps that constrain the growth of Wisconsin agriculture and the rural economy. This is a long term investment that we believe can position Wisconsin to take advantage of new opportunities, respond to changing economic conditions and leverage benefits for farmers and rural Wisconsin communities that might otherwise be missed.

AB 684 provides an effective institutional framework for the Wisconsin Rural Finance Authority. The board of directors is structured in a way that ensures that stakeholders are well represented, and the authorities included in the bill are clear and comprehensive. You are to be commended for building in a framework that promotes cooperation among agencies with economic development responsibilities in making the authority an effective tool to meet the needs of farmers and rural communities.

That said, DATCP has one overriding concern about AB 684 in its current form, which is money. As written, AB 684 does not provide any financial resources for start up costs, for ongoing operations until WRFA can become self-supporting or to fund the Wisconsin Agricultural Reserve Fund that is required to guarantee certain loans. Without start up funding, it is highly unlikely that WRFA will ever exist except on paper.

Working with the Department of Administration, DATCP has estimated start up and ongoing costs for the Wisconsin Rural Finance Authority.

We estimate one-time costs to launch WRFA at \$5,747,400. This includes \$5,555,555 to fully fund the Wisconsin Agricultural Reserve Fund to comply with AB 684's requirement to maintain a reserve of \$1 for every \$4.50 in loan guarantees. In addition, one time costs include \$50,000 for legal counsel to develop policies and loan documents as well as \$75,000 for financial consultants to develop a comprehensive business plan. Together these will be needed to underpin bond issuance. Other one time costs include funds for computers, a fund accounting system, website

*Wisconsin Food and Agricultural Products - \$40 Billion for Wisconsin's Economy*

development, office furnishings and equipment, and similar expenses. These estimates assume a great deal of input and technical assistance from WHEDA and the Department of Administration.

In addition to one-time funds, WRFA will need an operating subsidy until it becomes fully operational. While we cannot estimate how long operating subsidies will be needed without a comprehensive business plan, our crude estimates suggest that it may take as long as three years or longer, depending on market conditions when the first bonds are issued.

The bill assumes WRFA will pay for its ongoing operations through (1) the interest rate spread between the cost of funds and interest rates charged and (2) service fees charged to borrowers.

Several factors will reduce the marketability of WRFA bonds, thus increasing the cost of funds. Let me mention four factors that will drive up the cost of funds to WRFA.

**WRFA's lack of experience.** Bond markets look at the experience and stability of the issuer. WRFA's lack of experience combined with other factors will drive up the cost of funds at least initially.

**High-risk pool of loans.** The bill sets limits on borrowers' equity, which serves an important programmatic purpose but drives up the cost of funds. In comparison to WHEDA housing loans, the loan pool will consist of a comparatively small number of relatively high-risk loans. This will make WRFA less attractive to prospective buyers, particularly in light of WRFA's lack of experience.

**WRFA interest rates below participating lenders' interest rates.** AB 684 requires that WRFA charge an interest rate below the participating lenders' interest rate on participation loans funded through bonds. This will make WRFA bonds less attractive to prospective buyers. (As an aside, there is an implicit assumption that the borrower will benefit from a below-market blended rate as a result of the lower rate WRFA is required to charge on its portion of the loan. There is nothing, however, in the bill that would prevent a lender from increasing the rate on its portion of the loan, charging the borrower a market rate and taking all WRFA's "subsidy" as profit.)

**Interest rate compression.** Historically low interest rates and an expected high cost of funds combined with a law that effectively requires below market interest rates leave little room to generate revenue to cover operating expenses under current market conditions.

While it is impossible to precisely project revenue from the interest rate spread without more analysis, DOA recommended that we assume a 5% interest rate when calculating debt service costs for the new WRFA. At the same time, AB 684 requires that WRFA

charge borrowers less than the participating lender charges. This does not leave much spread to develop an adequate loan loss reserve and cover ongoing operational expenses, particularly with today's historically low interest rates and the relatively small loan pool that WRFA will have.

AB 684 requires that WRFA charge an interest rate that is 50% of the participating lender's interest rate on loans for co-op stock. If the participating lender charges 7.5 – 8.5% interest, for example, WRFA might have to assess an interest rate that is less than its cost of funds to comply with this requirement. While this is the most extreme example, it illustrates the potential pitfalls of specifying detailed eligibility requirements in law when markets are volatile and wary of inexperienced new bond issuers, like WRFA.

While other states have established similar agricultural financing authorities with programmatic ties to the state's department of agriculture, most of these were started in the 1980s when interest rates were at record high levels and there was a farm crisis of historic proportions. Those that generate loan funds with bonds developed a track record in the bond markets when interest rates were more conducive than today. Moreover, many of these states pool bond issuance in order to spread risk and reduce the cost of funds through volume. (It is our understanding that Wisconsin's constitution does not permit this practice.) Together, these factors mean that other states' cost of funds is lower than Wisconsin can expect to achieve with a new program.

Due to AB 684's significant fiscal impact, DATCP strongly urges you to work with us to develop a bipartisan approach that is both fiscally sound and cost effective. We believe that now is the time to develop a sound business plan so that we can weigh the trade off between what program beneficiaries need and bond markets expect before terms and conditions are written in law and identify the resources needed.

To reiterate, WRFA cannot be implemented without additional funding. Bond proceeds alone will not be sufficient to start up this important venture and a business plan will be required before the first bond can be issued.

DATCP hopes to have the opportunity to work with you to see WRFA become an effective tool for economic development in rural Wisconsin.



# WISCONSIN STATE LEGISLATURE



**PUBLIC HEARING**  
**THE COMMITTEE ON AGRICULTURE**

DEC 12 2003

REGARDING:

**ASSEMBLY BILL 684**

TESTIMONY BY:

**SAMUEL J. MILLER**

**VICE PRESIDENT AGRIBUSINESS BANKING**

**MARSHALL AND ILSLEY BANK**

**THURSDAY DECEMBER 11, 2003**

417 NORTH (GAR HALL) STATE CAPITAL, MADISON, WISCONSIN

Chairman Ott and members of the Committee on Agriculture, thank you for convening this hearing to discuss the formation of a Rural Finance Authority. My name is Sam Miller. I am the Vice President of Agribusiness Banking for M&I Bank. I grew up on a Wisconsin farm and have worked my 20-year career providing loans and financial services to farms and agribusinesses, primarily in Wisconsin. I live in Appleton, Wisconsin.

M&I Bank is the largest bank lending to agriculture in Wisconsin and the tenth largest bank lending to agricultural producers in the United States. Bankers in our offices throughout the state of Wisconsin provide loans and financial services to farmers with different types of enterprises and to farmers with sales from small to large. Almost all of these customers are family farm operations. Some are young families just beginning their businesses and others are multi-family operations in business for many generations. I am here today to support Assembly Bill 684 creating the Wisconsin Rural Finance Authority. The creation of this Authority will have many positive impacts for rural Wisconsin, including for towns, schools and health care providers by maintaining and improving the economic health of rural Wisconsin. I would like to talk about several key provisions included in the Wisconsin Rural Finance Authority Legislation.

Currently, the Wisconsin Housing and Economic Development Authority (WHEDA) has several Ag related programs, including the Credit Relief Outreach Program known as (CROP) and the Farm Asset Reinvestment Management Program or (FARM). M&I Bank has been the largest originator of loans under the CROP and FARM loan programs. Many previous recipients of WHEDA CROP loan guarantees can no longer use the program. Expenses to operate a producers same or slightly growing farm business requires more money for crop input expenses, which are typically borrowed from financial institutions in the spring and paid back over the course of the year or in the fall when crops are sold. The WHEDA CROP limit of \$30,000 is simply not adequate to support the needs of the average Wisconsin farm family.

The Rural Finance Authority Bill includes language to increase the limit available under the present WHEDA CROP program to \$100,000. The higher limit will mean an 80 cow dairy farm will be able to apply for an \$80,000 CROP loan from the bank to plant and harvest their 450 acre farm next year. WHEDA FARM has been a great tool for farm businesses buying new assets to invest in their present farm operation. This may include young stock housing, the purchase of farmland previously rented, or adding cows to an existing dairy herd. All of these investments increase the viability of the farm business. Adapting to the economics of rising expenses and stable-to-falling prices for milk, meat and crops, the Rural Finance Authority maintains the WHEDA FARM program in its provisions.

The Bill also authorizes the creation of a Nutrient Technology Loan Guarantee Program. I have been working with Wisconsin bankers and Farm Credit System lenders for the past few years to address the growing environmental issue. Specifically, Mark Binversie from Investor's Community Bank, Greg Steele from AgStar Financial Services, a Farm Credit institution, and I have been working together to bring to fruition the Nutrient Technology Loan Guarantee Program in order to finance nutrient management and odor mitigation technology. This tool is needed to manage the economic risk to livestock farms, technology companies, and lenders; while positively benefiting society by protecting water, soil, air, and allowing for the economic growth of livestock and agriculture in the state.

This type of technology adoption will be important to maintaining the quality of life we enjoy in Wisconsin. In essence, the nutrient technology guarantee program provides guarantee funds for technology to manage the environmental impact of livestock operations, regardless of their size. Likely uses of this guarantee program include manure digesters or potential technologies like gasification. The benefits of digested manure include: generation of green power to be sold to electrical utilities, further separation of waste that could mean the use of the waste for livestock bedding, the organic material of livestock waste could be used to be fertilize crops in place of commercial fertilizers imported into the state. Field application of this waste will be at a

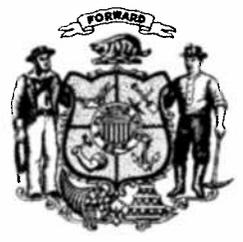
reduced odor level compared to pre-digested manure. Emerging technologies such as these mean a loan guarantee program is needed to accelerate adoption of proven environmentally beneficial technology. A loan program guarantee is a proven way to use the ag lending expertise of Banks and Farm Credit lenders.

The bill does have net worth caps for some of the programs, particularly the direct lending program. I recommend an owner equity percentage cap rather than a dollar amount cap in order to make the program relevant to the needs of agriculture not just today, but into the future. This net worth maximum percentage can be developed by the Rural Finance Authority; to target the desired constituency.

In summary, I support the creation of the Wisconsin Rural Finance Authority with passage of Assembly Bill 684. The state needs to support rural Wisconsin and farmers with programs that are flexible. The bill will enhance our rural landscape and recognize the importance and diversity in farm type and size to meet the needs of today and tomorrow. Thank you for the opportunity to share my remarks with you today.



# WISCONSIN STATE LEGISLATURE





**Wisconsin Federation of Cooperatives**

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131 West Wilson Street, Suite 400, Madison, WI 53703  
Phone: 608.258.4400 Fax 608.258.4407 www.wfcmac.org wfcmac@wfcmac.org

Date: December 11, 2003

To: Members, Assembly Committee on Agriculture

From: Bill Oemichen, President & CEO  
John Manske, Government Affairs Director  
Wisconsin Federation of Cooperatives

A handwritten signature in black ink that reads "Bill Oemichen". The signature is written in a cursive style and is positioned to the right of the typed name in the "From:" field.

RE: Wisconsin Federation of Cooperatives' Support for Assembly Bill 684

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Thank you for allowing the Wisconsin Federation of Cooperatives the opportunity to testify in strong support of Assembly Bill 684 (AB 684). The hearing today on AB 684 is the culmination of intense work by Representative Ott and his staff on a lengthy and occasionally frustrating drafting effort. Many have contributed their input and insights to this legislation and that is why this bill represents the fourth LRB draft. We appreciate the bipartisan legislative support for this bill and for other legislation that WFC has also put much effort into this session. The proposal to create a Wisconsin Rural Finance Authority (RFA) is an important part of the Agricultural Renewal Initiative announced earlier this fall. This is not the final step of a process to make the RFA a reality; rather it is another stage in an ongoing creative process.

In 2001 Wisconsin Act 109, language was included that directed agencies to work together to develop a proposal to be included in the 2003-05 budget bill for the creation of a rural finance authority. This was not done, so WFC worked relentlessly with Representative Ott and others to develop the language that is now AB 684.

The proposed Wisconsin Rural Finance Authority (Wisconsin RFA) is patterned in part after the successful Minnesota Rural Finance Authority (RFA). Their Minnesota RFA was established in 1986 to administer a program under which state bonds are authorized to be issued and proceeds of their sale are appropriated to develop the state's agricultural resources. Several changes have taken place since then, as the initiative was expanded and needs changed in the loan marketplace. The five programs now offered through the Minnesota RFA include the Beginning Farmer and Seller Assisted Programs; the Agricultural Improvement Loan Program; the Livestock Expansion Loan Program and the Restructure II Loan Program. Over a year ago, the Minnesota RFA went over the \$139 million mark in total loan participations purchased under the five programs.

The Minnesota RFA also administers the Aggie Bond Program, which creates a federal tax exemption for banks, and a federal and state tax exemption on interest income to an individual seller in exchange for offering below market interest rates to the buyer. No state funds are utilized in these Aggie Bond loans. Finally, a revolving loan account was established in 1994 to fund the Value Added Stock Loan Program and a new program, the Methane Digester Loan Program was added by the Legislature during the 2002 session.

The purpose of the Minnesota RFA's programs and of the bonds issued to finance the programs is to purchase participation interests in loans to be made available by agricultural lenders to farmers on terms and conditions not available from other credit sources. The Minnesota RFA participation in a qualifying loan is limited to 45% of the lender's loan up to a maximum of \$125,000. Over 350 lenders participate in the Minnesota RFA, and it has become the third largest lender in the state. The Minnesota RFA has participated in 2,261 farm loans since its beginning, with a value of over \$139 million. The average age of the farmers financed is in the mid-30s, with an approximate net worth of around \$160,000. Default rates have been extremely low, around 1.5%. The farmer participants have had a 90% retention rate for remaining on the farm.

The Minnesota RFA also works with linking retiring farmers with beginning farmers. It aims to link up the retiring farmers with entering buyers, renters, leasers, or share arrangements.

AB 684 is aimed at continuing and strengthening Wisconsin's agriculture, which contributes \$40 billion to our state economy. With the amount of stress that most of agriculture is suffering and has suffered, the bill is a part of the package of "Agricultural Renewal Initiatives" that responds to real needs in Wisconsin's countryside. This bill, when enacted, will create a "welcoming entity" for all types of Wisconsin agriculture, not limited to one portion such as the dairy industry. It is focused on consolidating existing agricultural loan guarantee programs and new loan and loan guarantee programs under one "tent" in order that farmers will be the main clients and get the WRFA's undivided attention.

We appreciate the support WHEDA has shown for moving their agricultural programs to an entity that will concentrate on the agricultural clientele, and moving the appropriate portion of their financial reserve fund with them. I cannot forget that the former WHEDA Executive Director commented to me that his own cousin who farms expressed surprise and confusion when he learned that WHEDA concerned themselves in part with programs for agriculture. WHEDA commits some effort to education about their agricultural programs, but it is a minor portion of their mission, so it gets a relatively small amount of its time and human resource commitment. As a result, its agricultural programs are underutilized. AB 684 transfers WHEDA agricultural programs to the Wisconsin RFA and eliminates the authority of WHEDA to make new loan guarantees under these programs and to issue bonds for the Beginning Farmer Program beginning one year after the bill is enacted.

As I stated in the beginning of my remarks, we view this bill as another step in a journey to get a Wisconsin Rural Finance Authority created and funded. Some very difficult choices lie ahead in terms of decisions about funding amount and sources. This legislation generally does not tackle them and we seek legislative advice as the key funding issues are confronted. AB 684 creates an 11-member board of directors, of which 8 are to be appointed by the governor to staggered terms for their initial appointment, but for four-year terms thereafter. The Senate would have confirmation authority on the 8 individuals to be appointed by the governor. An executive director of Wisconsin RFA would be appointed by the DATCP secretary.

Our intent is to have a lean yet effective staff at the Wisconsin RFA, much in the way that Minnesota RFA operates (approximately four FTE). The loan document the Minnesota RFA approves from borrowers is simple and we hope that this will be the case here as well. We don't want to duplicate any bureaucracy that exists nor take on roles that are served elsewhere in the lending process, whether

by government or lenders of any type. We believe that this chance for program consolidation within a Wisconsin RFA offers benefits for the borrower, taxpayer and other lenders.

Some have questioned the agricultural loan programs that are specified in AB 684, saying that they might not match the greatest needs in Wisconsin's agriculture, or limit WRFA flexibility. Others have suggested that eligible borrower net worth maximums, found on page 24, are too low. We contend that the bill appropriately lists programs that will meet a need, particularly among small, beginning and young farmers, and for those interested in participating in the creation of agricultural value-added cooperatives. Thus the inclusion of farm purchase assistance loans, agricultural improvement loans, agricultural cooperative stock loans, and livestock operation modernization loans. We also believe that by giving the WRFA board the power to choose additional programs (238.65, Statute, pages 45-46), it provides it with the flexibility needed to respond to changing needs and other circumstances in the lending marketplace. Regarding the net worth caps included in the bill for these loan programs (page 24), the WRFA board is given the authority to adjust these, subject to a two-thirds vote (page 26, lines 13-18). This should help ensure that to the extent possible, greater numbers of producers will be able to meet eligibility criteria, while providing the WRFA board the power to change particulars to respond to movement in the lending marketplace. Net worth caps for eligible participants are a part of the Minnesota program.

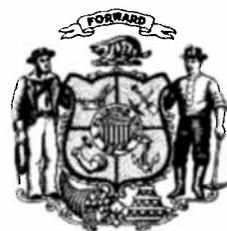
AB 684 cannot assist all producers, no matter their financial circumstances. But it is an initiative that stresses that Wisconsin can do more in working with our farmers and rural lenders to build on the solid agricultural base we have. It is not a bailout to the unsuccessful, nor is it an effort to help certain sized operations at the expense of others. WFC advocates a public policy position of "size neutrality" and we don't believe that the legislation before you, taken as a whole, violates that.

I would like to tell you that WFC has all the answers today regarding WRFA funding today. However, there are still outstanding issues about the sources of bonding funds for this program. However, we stand ready to work with you as the process continues to get the authority created. We strongly urge your positive consideration of AB 684 when it is scheduled for executive action.

Thank you once again for considering the views of WFC on this important legislation.



# WISCONSIN STATE LEGISLATURE





# Al Ott

State Representative • 3rd Assembly District

**Testimony on  
AB 684  
Creation of the Wisconsin Rural Finance Authority  
December 11, 2003**

Thank you for the opportunity to testify on Assembly Bill 684 – authorizing the creation of the Wisconsin Rural Finance Authority.

I have asked Bill Oemichen – President and CEO of the Wisconsin Federation of Cooperatives – to join me in testifying today. Mr. Oemichen has really been the driving force behind AB 684. He has seen, first hand, the success of such a program in Minnesota. His knowledge and expertise has been instrumental in crafting the bill that is before you today.

## **Agricultural Renewal**

Wisconsin's agricultural economy has been suffering from record low commodity prices, which has a tremendous negative impact on our state's economic interests. Agriculture in Wisconsin is under remarkable pressure to compete not only nationally, but also globally. In an effort to bring renewed vitality to our state's agricultural economy, we have been moving forward with a comprehensive legislative strategy known as the Agricultural Renewal Initiative.

An important part of this initiative is the creation of the Wisconsin Rural Finance Authority (WRFA). The WRFA will combine existing loan guarantee programs administered by WHEDA with innovative financing programs focused on agricultural modernization and development. This combination would reform state government and create a more effective, efficient and proactive delivery method for the state's agricultural modernization efforts.

## **WRFA Concept Endorsed in the 2001-03 Budget Adjustment**

Various financial assistance programs geared toward agriculture are currently offered by WHEDA. However, these programs are underutilized due to insufficient promotion and lack of association between where they are housed and their actual purpose. For this reason, the concept of creating a rural finance authority was included in 2001 Wisconsin Act 109 (Budget Adjustment).

The language of this bill creates the structure of the WRFA and outlines programs the Authority may undertake. Establishing the WRFA provides a more practical and proactive approach to providing access to financial resources to our producers and agribusinesses. Because their primary focus is housing, WHEDA supports the transfer of its agricultural programs to the WRFA.

The Governor also expressed his support for the creation of the WRFA by including the concept in his Grow Wisconsin plan.

## Functions of the Wisconsin Rural Finance Authority

Modeled after the highly successful Minnesota Rural Finance Authority, the WRFA will provide financial assistance to agricultural producers and agribusinesses through low interest participation loans and loan guarantee programs. These programs will be geared to fit the needs of today's producers and will foster investment in the development of the agricultural industry in our state.

The WRFA will be charged with determining agricultural financing gaps – particularly for beginning farmers and those who wish to modernize and make their operations more profitable – and administering programs best suited for filling those financing gaps. The Authority will have substantial flexibility in meeting the changing needs of Wisconsin agriculture.

## Efficiency and Effectiveness, Not More Bureaucracy

The aim of this bill is not to create another layer of bureaucracy. The WRFA is structured to be an accessible and comprehensive resource for those seeking to borrow funds and commercial lenders. Also, beyond the WRFA Board and Executive Director, it is anticipated that the WRFA will need a minimal number of staff to carry out the day-to-day operations of the Authority. The Minnesota RFA operates with a staff of four (2 loan officers, a program assistant and an executive director). Further, the draft language directs the WRFA to utilize existing staff and resources in state agencies for efficiency. Programs will be supported by funding from revenue bonds, similar to the funding mechanism used by WHEDA.

## WRFA Programs

The following are the types of programs the WRFA will be authorized to administer under this bill. It is important to note that the bill gives the WRFA flexibility to bring programs online as conditions in agriculture change. *A comprehensive listing of programs has been distributed for your information.*

- **Agricultural Loan Programs** – WRFA may participate in loans with commercial lenders by financing up to 45% of the total loan package.
- **Agricultural Loan Guarantee Programs** – Guarantees repayment of a percentage of the outstanding principal amounts of loans made by private lenders to qualified borrowers.
- **Beginning Farmer Bond Program** – Provides below market interest rate financing to new farmers for the purchase of agricultural land through the use of a federal tax exemption provided to lenders. Currently administered by WHEDA.
- **Agricultural Business Development Programs** – Includes programs such as a revolving loan fund, equity financing, and conservation credit trading for the purpose of promoting agricultural economic development.

Again, thank you for the opportunity to testify. I will now ask Mr. Oemichen to share some additional information with you, and then we will gladly attempt to answer any questions you may have.

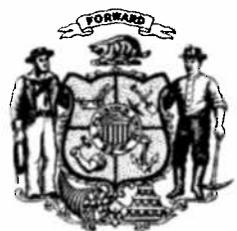
## Wisconsin Rural Finance Authority Programs

The following is a comprehensive list of programs the WRFA may administer to meet the ever-changing needs of the agricultural industry.

- **Agricultural Loan Programs** – WRFA may participate in loans with commercial lenders by financing up to 45% of the total loan package.
  - **Farm Purchase Assistance Loans** – For the purchase of farm property. Seller partially finances the purchase of the property.
  - **Agricultural Improvement Loans** – For the construction or improvements to land or buildings, including facilities for generating energy from wind or animal waste.
  - **Agricultural Cooperative Stock Loans** – For the purchase of stock or other interest in a cooperative that operates or proposes to operate a facility for the processing of an agricultural commodity (*i.e. ethanol or bi-diesel*). The borrower must produce the commodity that will be processed.
  - **Livestock Operation Modernization Loans** – For the improvements to land or buildings that are utilized for raising livestock.
  
- **Agricultural Loan Guarantee Programs** – Guarantees repayment of a percentage of the outstanding principal amounts of loans made by private lenders to qualified borrowers. All but the Nutrient Environmental Technology Loan Guarantee are currently administered by WHEDA.
  - **Agricultural Production Loan Guarantee (Currently known as CROP)** – Provides guarantees for loans to farmers to finance the purchase of goods and services necessary to produce an agricultural commodity.
  - **Farm Assets Reinvestment Management Loan Guarantee (FARM)** – Provides guarantees for loans to farmers to finance expansion and/or modernization.
  - **Agricultural Development Loan Guarantee** – Provides guarantees for loans to existing or start-up businesses that add value to Wisconsin agricultural commodities.
  - **Nutrient Environmental Technology Loan Guarantee** – Provides guarantees for loans to farmers to finance new nutrient management and odor mitigation technology (*i.e. manure digesters*).
  
- **Beginning Farmer Bond Program** – Provides below market interest rate financing to new farmers for the purchase of agricultural land through the use of a federal tax exemption provided to lenders. Currently administered by WHEDA.
  
- **Agricultural Business Development Programs** – The bill also allows the WRFA to implement the following programs for the purpose of promoting agricultural economic development.
  - **Revolving Loan Fund Program** – For loans to meet finance needs.
  - **Equity Financing Program** – WRFA acts as an intermediary to facilitate investments in agricultural business.
  - **Conservation Trading Program** – WRFA acts as an intermediary in the aggregation and trading of environmental credits related to agriculture production.



# WISCONSIN STATE LEGISLATURE



AB 284  
←



Mark R. Binversie, President and Co-founder  
Investors Community Bank  
865 North Rapids Road  
Manitowoc, WI 54220  
(920) 686-9998 Bank  
(920) 901-2002 Mobile

I am a Manitowoc County native and grew up on a large dairy farm south of St. Nazianz, which my youngest brother Jay now runs, milking 750 cows.

My 24 years of lending experience began with Farm Credit in the early 1980's. In the mid 1980's, I was employed for 14 years with what became Firststar Bank. At that time, the bank had 10 agricultural clients. I was involved in developing the bank's agricultural program, which then grew to become the largest Ag Bank in Wisconsin. Finally, in May of 1996, I left Firststar with 3 other co-workers to help start Investors Community Bank, which is located in Manitowoc, Wisconsin.

Investors Community Bank is presently handling 330 million in credit, of which the majority is agricultural. Our agricultural loan portfolio is at 203 million, with 75 million government guaranteed. Investors Community Bank's current agricultural government guaranteed portfolio is among the highest in the country.

I served on the Wisconsin Ag Banker Board of Directors for six years acting as Chairman of the Board. With Community Bankers Association, I am serving a second term on the board. I worked along with the U.S. Secretary of Ag to design the FSA guarantee Program. I was also on the original planning committee for the Wheda Crop Program. Other organizations I am involved with include, Professional Dairy Producers of Wisconsin, Dairy Business Association and Wisconsin Agri-Business Council/Legislative Committee.

# PUBLIC HEARING REGARDING THE ASSEMBLY BILL 684

- (1) Background
- (2) Loan Losses - Historical
- (3)

\* Bill DeMeirchier  
 \* John Mawski  
 \* Wesley Hughes

Testimony of Mark Binversie of Investors Community Bank

Areas of concern

Digestors - Computers

1] The nutrient management system program designed to give Wisconsin farmers the edge on the newer techknowledge available and to help speed up the process of the techknowledge by making more systems available to the public.... this will ensure a higher quality product over time... and lower the total cost as techknowledge becomes more well spread.

2] A closer look at the present program of Wheda Crop... the program limits are to low at present and should be raised to the 100,000 dollar limit... since farmers have a higher demand and are running much more land to feed their cattle.... I was on the initial program committee, and at that time the average herd size was 45-50 cows.... The present level is 110 cows ..... each cow needs 3 acres/cow to feed herself and a heifer replacement. So the new level would be 330 acres/farmer thus at inputs of \$150/acre The average farmer needs 60-75,000 in inputs to run his farm.

3) I also am concerned about the limit of 450,000 of net worth cap .... In the rural finance authority program...this is a extreme low limit... and not really a very high amount in 2003 terms of money. I would recommend not having a limit... use cash flow as the determinating factor. So all farmers of every size can use this program... it was designed to benefit the Wisc. Industry... lets make it apply to todays standards.

Equity Cap

Needs to be addressed

Over Comes Loss Issues

4) Custom Harvestors / manure handling need to be included  
under Wheda

(5) Nation Losses on FSA ↓ 10%  
State cannot take