



# Borrowing Money for Your Business

*Taking out a loan can help expand your business, but you need to be prepared*

## Overview

As a businessperson who wants to be successful, you are probably looking for opportunities to improve and/or expand your business. That's great! It means you are always thinking about moving forward! Often times, however, you do not have enough of your own money to pay for new equipment, buy (more) land, or hire the new marketing manager that you desire. At times like these, you might want to find organizations that will lend you the money that you need. Commercial banks, semi-private lending institutions, Hawaii Department of Agriculture, and federal agencies are ready to lend agricultural entrepreneurs money, but they require you to be prepared with current and sufficient information on your operation, be a somewhat experienced agriculturist, be ready to fill out forms, and be a reliable business risk. Common reasons for loan application failure include: insufficient documentation, unstable cash flow, poor credit rating, not enough years in agriculture, and too short land leases.

In this lesson you will be provided an overview of what is required for each type of loan or contact. Don't be intimidated by the paperwork if you really believe that you have a good business idea and that you can repay the loan on time. There are people in different agencies who are eager to help you. You might also find that although you might not have sufficient business records to acquire a loan at present, with a new focus on record keeping, you might be eligible to apply for a loan within a year or so.

## Why is this important?

If you are ready to improve your business and just need additional money, commercial (non-family) loans can be a good way to achieve your business dreams.

## What is my credit rating and why is it important?

Before we discuss types of loans and where you might apply, it is important to understand the foundation of lending – your “credit rating.” Many lenders will review your personal credit rating in addition to any business credit history. Your credit rating is like a batting average in baseball or pass completion in football -- it is a history of accomplishments. In the case of your credit rating, it is your history in making money, spending money, borrowing money (via credit cards and loans), and paying money back.

Most creditors report their experience with borrowers to three major US companies: Experian, Equifax, and TransUnion. Each of these companies maintains information about your credit history and can provide the information to potential creditors as part of the loan application process. In addition, the companies have a process to calculate a “credit score” (also known as a FICO score). The score is based on the information about your past credit experience. Lenders may use the score to determine loan eligibility, rate, and other terms.

You might be asking, “how do I get a good credit history or improve one?” Borrowing small amounts of money and paying back on time is the easiest way to

establish a credit rating. Then over time you can borrow more as you show lenders that you can handle that responsibility. Visit <http://www.myfico.com/CreditEducation/ImproveYourScore.aspx> for tips on improving your credit score.

A good credit score helps people get loans faster and get better rates and terms. It is important that you take good care of your credit history all your life because you never know when you will need to ask for a loan to expand your business.

### Getting prepared to apply for a loan

Loans are a common business practice. A loan is an agreement between two parties. An organization, such as a bank, gives a borrower a certain amount of money with the expectation of total repayment (including interest) by a certain time. This is a very straightforward business relationship. In many cases, keeping business records up-to-date is more difficult for growers because they are working in their fields, orchards, and shade-houses most of the day. Important records that should be maintained include:

- Amount of crop(s) planted
- Cost of planting
- Amount of crop(s) sold
- Price of crop(s) sold, and corresponding business revenues
- Business expenses
- State tax, excise tax, and federal tax payment records
- Business plans, cash flow and profit and loss statements, and marketing plans

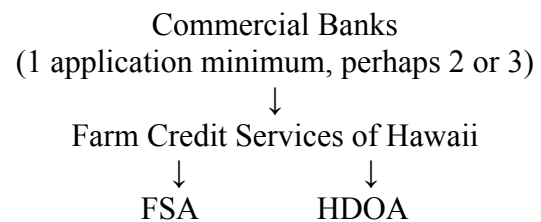
Written, (somewhat) organized records are part of the proof you will *need* to show a lending institution that you are a good business risk. This should make sense... *would you lend someone \$10,000 if you met the person for the first time this morning?* Probably not, and that is the way banks and government agencies feel too. They need to

feel that they can trust you with their money by seeing your business history on paper.

### Fulfilling basic lending requirements

The four groups listed below are the main lenders to agricultural businesses. To be considered for a loan, these are the types of requirements that might be asked of you (there might be more). It is important to assemble the documentation they require, before you request a loan. To ensure that you are prepared, put checks in the boxes where you have the information prepared and circle the boxes where you need to do more work. The circled items should now be on your “to-do” list in the next week or two if you are serious about applying for a loan.

It should be noted that the USDA Farm Service Agency (FSA) and the Hawaii Department of Agriculture (HDOA) are “lenders of *last* resort.” This means that they do not want to compete with private sector banks. As such, they can only provide you loan opportunities after you have a written notice from banks saying that the bank will not lend to you. Thus, the order of your loan search should be as follows:



### Commercial Banks

- Evidence of business success via financial statements and tax returns (typically a minimum of three (3) years);
- Well developed business and marketing plan (realistic projections);
- On-site visit by your prospective lender;
- Other bank-specific requirements (just ask them what they are)

In addition, many local banks work with agencies/companies like the Small Business Administration to offer more flexible review and terms to smaller businesses. Call your bank to find out what they offer and the requirements to apply for these loans.

#### *Farm Credit Services of Hawaii / Federal Land Bank Association*

This organization specializes in loans to farmers, ranchers, fishermen and nursery owners. The following should be prepared when requesting a loan:

- Past three (3) years of financial statements, if available. (Include schedule for real estate, loans, deposits, etc.) If the loan request exceeds \$400,000, submit four (4) years of year-end financial statements including the most recent completed year plus interim financial statement.
- Past three (3) years of Federal Income Tax Returns including the most recent completed year and a copy of your earning statement for the current year within thirty (30) days of the loan application if the loan request is less than \$400,000. Submit past four (4) years of Federal Income Tax Returns, if the loan request exceeds \$400,000.

(Source: <http://www.hawaiifarmcredit.com/>)

#### *USDA Farm Service Agency*

The Farm Service Agency (FSA) provides temporary credit to loan borrowers. Borrowers are required to refinance their loans with a commercial lender when they are financially able to do so. In addition, to improve production and financial management ability, the FSA requires all borrowers to complete farm and financial training courses.

The following should be met/prepared when requesting a loan:

- Have a satisfactory history of meeting credit obligations;

- For direct operating loans, have sufficient education; training, or at least one-year's experience in managing or operating a farm or ranch within the last five years. For direct Farm Ownership (FO) loans, applicants must have participated in the business operations of a farm or ranch for three years;
- Be a citizen of the United States, including Puerto Rico, the U. S. Virgin Islands, Guam, American Samoa, and certain former Pacific Island Trust Territories, a U.S. non-citizen national, or a qualified alien under federal immigration law;
- Be *unable* to obtain credit elsewhere at reasonable rates and terms to meet actual needs (provide letters of declination from commercial lenders);
- Possess legal capacity to incur loan obligations;
- Not be delinquent on a federal debt;
- Not have caused FSA a loss by receiving debt forgiveness (certain exceptions apply); and
- Be within the time restrictions as to the number of years they can receive FSA assistance.

(Source: Form FSA 2001, [www.fsa.usda.gov/](http://www.fsa.usda.gov/))

#### *Hawaii Department of Agriculture*

The loan programs available at the Hawaii Department of Agriculture (HDOA) are similar to those at the FSA. The HDOA has a \$25,000 or less, micro-loan program for smaller requests. In all cases, you must be rejected by at least two lenders.

The following should be met/prepared when requesting a loan:

- Be a citizen of the United States who has resided in Hawaii for the preceding three years, or any permanent resident alien who has resided in Hawaii for the preceding three years;

- Have experience in agriculture (requirements are different for different programs);
- Have a current Balance Sheet and Income/Expense Statements (past two years);
- Have three year cash flow projection of income and expenses (including income assumptions);
- Have aging schedules for Accounts Payable and Accounts Receivable;
- Have Personal Financial Statements (for sole proprietors, partners and guarantors);
- Provide Income Tax Returns (last three years);
- Have letters of decline
- For Agricultural Loans - two declinations from private lenders, Farm Credit Bank(s) and/or USDA –FSA;
- For Aquaculture Loans - three declinations from two private lenders, and the appropriate Farm Credit Bank;
- Have copy(s) of Deed or Lease for farm; Marketing/Purchasing contracts (if applicable);
- Have Hawaii State Tax Clearance;
- Provide a narrative describing your business (i.e., location, size, employees, crops, markets, etc.)  
(Source: <http://hawaii.gov/hdoa/agl>)

The FSA and HDOA provide excellent guidance on how to fill out forms and prepare your loan package.

### Wow, lots of options, now what?

This is just a short list of lending options focused on agriculturally-related businesses. While not detailed here, if you have a 100% Hawaiian-owned (need to show proof of ancestry by a birth certificate) business, you might be able to get financial assistance from the Office of Hawaiian Affairs (see below). Even more loan opportunities are available if you are manufacturing. The list

at the end of this lesson gives you contact information for many programs and the types of loans they provide.

So, now that you know the requirements for each lender, what do you do next? As mentioned above, make a list of the missing documents you need to find, construct, or complete and be prepared to apply.

If you need hands-on help with documents such as business and marketing plans, cash flow and profit and loss statements, you might be able to get some help from the following organizations:

ALU LIKE, Inc.  
(808)524-1225  
<http://www.alulike.org>

UHM – Agribusinesses Incubator Program  
(808)956-3530  
<http://aip.hawaii.edu/>

UHM – Pacific Business Center Program  
(808)956-6286  
<http://pbcphawaii.com/>

### Resource contacts

Much of this lesson is shortened and updated from Stanley Fujiyama’s article, *Acquiring Business Funding*, from the book, *This Hawaii Product Went to Market* (published in 1996).

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Farm Credit Services of Hawaii / Federal Land Bank Association of Hawaii  
<http://www.hawaiifarmcredit.com/>

Main Branch  
2850 Pa’a Street, Suite 100  
Honolulu, HI 96819  
Phone: (808)836-8009

Hilo Branch  
988 Kinoole Street  
Hilo, HI 96720  
Phone: (808)961-3708

Loan types:

- Land purchases
- Production and operating expenses

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USDA Farm Service Agency (FSA)

<http://www.fsa.usda.gov/>

300 Ala Moana Blvd., Room 5-122

PO Box 50008

Honolulu, HI 96850

Phone: (808)541-2600

Loan types:

- Farm loans
- Farm ownership loans
- Farm operating loans
- Loans for socially disadvantaged and beginning farmers
- Down payment loans
- Rural youth loans
- Emergency loans

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Small Business Administration

<http://www.sba.gov/localresources/district/hi/>

Hawaii District Office

300 Ala Moana Blvd Room 2-235

Box 50207

Honolulu, Hawaii 96850

Phone: (808)541-2990

Loan types:

- Working capital
- Machinery and equipment
- Land, building, and improvements
- Debt refinancing

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Native Hawaiian Revolving Fund Loan (NHRLF)

<http://www.oha.org>

Office of Hawaiian Affairs

711 Kapi'olani Blvd., Suite 500

Honolulu, HI 96813

Phone: (808)594-1835

Loan types:

- Business development

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Native Hawaiian Revolving Fund Loan (NHRLF)

<http://www.oha.org>

Office of Hawaiian Affairs

711 Kapi'olani Blvd., Suite 500

Honolulu, HI 96813

Phone: (808)594-1835

Loan types:

- Business development

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Get a Free Credit Report to Verify Your Credit History

<http://www.annualcreditreport.com/>

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Learn About Your Credit Score

<http://www.myfico.com/>

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Prepared by:

James R. Hollyer, Program Manager

CTAHR, ADAP Project

University of Hawai'i

# Acquiring Grant Support

*Getting organizations to give you money is nice, but requires work*

## Overview

A “grant” is a gift of resources, typically money. The idea that there are government, for-profit, and non-profit groups that will actually *give* you money for your business is an amazing concept. Federal, state, county, businesses, and non-profit entities often have resources to grant to businesses (or non-profits) that can illustrate that they can use grant funds wisely and create impact. But, these grants require work to locate, apply for, and report on, so they do not come without cost.

Typical reasons for grant application failure include missing deadlines, submitting poorly written or incomplete applications, having a poor business track record (bad reputation in the community) and insufficient talent to implement the proposal.

In this lesson you will be provided a basic overview of the grant process. Like filling-out a loan application, it can seem difficult at first, but if you break the process down into smaller parts, and start early, you can be successful.

## Why is this important?

Getting money that you do not have to pay back is better than getting a loan. So, if you have an idea that others are willing to support, invest some time and know-how to apply for a grant.

## About grants

As mentioned above, you can apply for money that you don’t have to pay back. The trick with grants, however, is that you need to have an idea, product or business that the grant reviewer feels is a worthwhile “investment.” The word investment is used here just like it is with a loan because even

grant givers have to show their organizations that good and impactful things will result if they give you financial support. More and more today we have another aspect to consider in a tight economy, which is that granters are getting more “precise” with the types of activities they are willing to fund. In the past, grant requests typically were a little broader. Thus, like a good marriage, you need to have compatible interests with the grant givers or you won’t even reach the proposal review stage. For example, if an organization is willing to support water saving devices for growers, and you want a new tractor to be more efficient in the field, it is clearly a mismatch of intentions. Here is a list of steps that you can follow to increase your chances of “winning” a grant.

1. Keep searching for good grant matches. The Hawaii Community Foundation is a great resource for local grants (<http://www.hawaiicommunityfoundation.org/>). That organization also has a webpage for grant writers and grant managers (<http://www.hawaiicommunityfoundation.org/index.php?id=77>)
2. Acquire the most recent grant application and guidelines and with a highlighter pen, highlight the critical features, such as:
  - a. What types of projects they are funding.
  - b. What types of costs they are covering.
  - c. What, if any, are the “matching” requirements and do you need to put your money out first and request reimbursement? (This could be a big deal as some grants will only give you 25% of what you need, and you

- need to come up with the other 75%; though, 25% is better than nothing!)
- d. Application deadline.
  - e. Application format (font size, number of pages, number of appendices, support letters).
  - f. What reporting and final documentation will be required of you?
  - g. Number of copies of the application required.
3. Think and speak positively about your project.
  4. Set-up a clean place in your business where you can write your grant.
  5. If you plan to seek partners or professional writers for your grant, be clear with them about your expectations and what you can offer in return, and ask them what they specifically expect from you in exchange for their time and talent. Never assume people will help for free, ask them.
  6. Know how long it will take for the grant application to physically arrive at its destination so that you can meet application deadlines.
  7. If the grant application form does not come with a checklist for completing the grant, make one and use it.

There are other things to consider, but the above are the major ones. Still interested in getting someone else's "free" money? *Yes?! Good, here's what to do next.*

1. Take out a calendar and mark-off enough days and hours for you to write your grant proposal. This has to be distraction-free time.
2. Start writing your grant response. Just start writing down your ideas as fast as you can get them out of your head and onto the paper or your keyboard.
3. Go back to your "brainstorming" and begin to craft a readable, engaging, and methodical story about what you want to

- achieve and how that meets the desires of the funders. Be sure to put the final version in the requested format or outline and answer each question in the application form. If no format is provided, divide your application into the following generally accepted categories: (1) What you want to do and Why it is important? (2) How you will do it (including when and where)? (3) Any additional information on why you are the right person for the job.
4. Use as much data as you have to support your claims of the magnitude of the issues to be addressed, the potential impact of the successful implementation of your project, and your ability to carry out the project.
  5. Now, get a trusted friend to give you some constructive feedback. Hearing feedback can be hard especially if you don't write often, so prepare yourself to hear the truth (or a version of the truth). One way of managing the feedback is to ask, "Can you please give me three things you like about my proposal and then give me details of where and how I can make it even better?" This simple request can help the person giving you feedback stay focused on what kind of feedback you want.
  6. While that review is taking place, get all the other required documents in order. These could include cash flow statements, profit and loss statements, business and marketing plans, copies of federal, state and excise tax forms, by-laws of your organization, etc.
  7. Get the review back and make those changes that seem reasonable, even if your ego is fighting it. Thank your reviewers for their time.
  8. If you have time, have someone else read your revised grant proposal to get one final set of comments. Revise your proposal accordingly.

9. Use your checklist to make sure you have all the pieces in place. Leaving even one little item out can cause the person screening the applications to reject it or return it to you un-reviewed. Grant writing is a serious business and one mistake can take you out of the competition.
10. Make copies, sign the forms, and get that application in the mail or sent via the web!
11. When you've completed the above, think positive thoughts and go celebrate your hard work.

The review process typically works like this:

1. Applications are opened if they arrive by the due date and time. If not received on time, they may be disqualified and returned.
2. Documents are checked for completeness, and if not complete, might be rejected.
3. Applications are reviewed by a committee that has been given guidelines for scoring the quality and impact of proposals, often relative to their cost.
4. Proposals are ranked on points and then offers are made to the highest-ranked grant proposals. Those not selected are often provided helpful feedback on what was wrong with the proposal. This is of great value to you even if you were not selected. Take that feedback and make your proposal even better next time.
5. If you are selected, more forms need to be signed by you or your organization, and performance contracts are developed and signed.

Now, finally, you start your work. This is one of the most dangerous times in the process to keep and build your reputation as often months have passed and you now have the responsibility of implementing what you

asked for money to do. (*Be careful what you wish for!*)

1. Again, take out your calendar and put in some reporting dates.
2. Keep track of all your expenses – save all receipts and put them in a safe place.
3. Report progress as required.

Well, that is about it for writing, winning and performing under a grant program. It should now be obvious that grant money is not really “free.” But, if you received a \$10,000 grant to install a new greenhouse sprinkler system and it took you only 30 hours to craft and deliver your grant proposal, you just made more than \$300 per hour. Now, that is sweet!

### Look here for grants

Here are some sources of grants that are open to growers and don't require that you be connected to an educational or research institution. Note, these grant programs are subject to change at any time.

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Hawaii Department of Agriculture  
[http://hawaii.gov/hdoa/add/add\\_md](http://hawaii.gov/hdoa/add/add_md)

Hawaii Department of Agriculture  
Agricultural Development Division  
Market Development Branch ☐  
1428 South King Street  
Honolulu, HI, 96814-2512  
Phone: (808)973-9595 ☐  
E-mail: [hdoa.md@hawaii.gov](mailto:hdoa.md@hawaii.gov)

Grant types:

- Marketing support

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Oahu Resource Conservation and  
Development Council  
99-193 Aiea Heights Drive  
HARC Bldg, Suite 111  
Aiea, HI 96701  
Phone: (808)483-8600 X112  
<http://www.oahurcd.org/>

Grant types:

- Business development

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Office of Hawaiian Affairs

<http://www.oha.org/>

Office of Hawaiian Affairs

711 Kapi'olani Blvd., Suite 500 □

Honolulu, HI 96813

Phone: (808)594-1835 □

Grant types:

- Up to \$100,000 to support programs which address OHA Strategic Plan goals in the areas of Education, Health, Human Services, Housing, Economic Development, Native Rights, Culture, Land Management, and Governance.

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USDA Natural Resources Conservation Service (NRCS)

<http://www.pia.nrcs.usda.gov/>

Aiea Service Center

RL Cushing Building

99-193 Aiea Heights Drive

Aiea, HI 96701

Phone: (808)483-8600 ext 354

Grant types:

- Support best conservation practices:
  - Agricultural Management Assistance (AMA)
  - Conservation Innovation Grants (CIG)
  - Conservation Security Program (CSP)
  - Cooperative Conservation Partnership Initiative (CCPI)
  - Environmental Quality Incentives Program (EQIP)
  - Farm and Ranch Land Protection Program (FRPP)
  - Grassland Reserve Program (GRP)
  - Value-added Producer Grant (VAPG)
  - Wildlife Habitat Incentives Program (WHIP)
  - Wetlands Reserve Program (WRP)

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USDA Rural Development

<http://www.rurdev.usda.gov/hi/index.htm>

Room 311, Federal Building

154 Waiianuenue Avenue

Hilo, Hawaii 96720

Tel: (808)933-8380

Grant types:

- Community Facilities Programs
- Faith-Based and Community Initiatives Programs
- Rural Business - Cooperative Programs
- Rural Housing Programs
- Rural Utilities Programs

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Western Sustainable Agriculture Research  
and Education (WSARE)

<http://wsare.usu.edu/>

Utah State University  
Ag Science 305  
Logan, UT 84322-4865  
Phone: (435)797-2257

Grant types:

- Farmer/Rancher (FRG) grants
- Graduate Fellow Grants in Sustainable Agriculture
- Professional + Producer grant
- Professional Development Program (PDP) grants
- Research and Education (R&E) grants.

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Prepared by:  
James R. Hollyer, Program Manager  
CTAHR, ADAP Project  
University of Hawai'i

# Distributing Your Product within Hawaii

*Taking your product to market, do you have to do all the work?*

## Overview

There are many ways to get people to buy your wonderful Hawaii-grown or -made product. Customers can come to your business and buy it directly from you, you can take it to a farmers' market and sell it to them, you can take it to a restaurant, a wholesaler can send a truck to your farm, or it can be a combination of distribution options. Each one of these options has its positive and negative sides.

In this lesson the costs of distribution will be discussed, along with the pros and cons of different distribution models. Some local resources also will be given.

## Why is this important?

Unless you sell all of your product from your farm or business, you are limited in your number of customers because only a limited number are willing and able to go to your place of business (in addition, you may have insufficient parking or be located far from your customers). It is in your best interest to get your product in front of as many potential buyers as possible, national or global is often best, but statewide is a great start.

## What does it cost to distribute products?

It is far easier to reach out to more buyers if someone helps you do some of the distribution work. You probably produce a very nice crop or processed food product, but if you also want to deliver that product to market, you might be diluting your focus. It might help to focus on the things that you do best and outsource things that might be better done by someone else.

For example, let's assume that you want to deliver your product to a number of restaurants. One question is, does it make more financial sense to personally make the delivery or would it be better to have an employee do the delivery? Or, instead of an employee, would it make more sense to pay a distributor (it could be another grower or a distribution company) to deliver your product as well as other peoples' products to your customer? Or, perhaps you want to make the deliveries for yourself and for others in your area, and start a dedicated distribution arm of your own.

To start making these types of decisions you need to know how much your time is worth. If you are making \$20/hour working on the farm (wage plus some amount of the profit), but you can hire someone for \$12/hour to deliver products – it may make more financial sense to hire someone to make deliveries. Driving in traffic and delivering your product may not be wise use of your time; however, making the delivery might help you build relationships and get useful feedback from customers. Determine whether your business is making more money, overall, by your staying on the farm. If so, stay on the farm and pay someone else to deliver your products.

The amount of money you will be paying for distribution is:

|               |   |
|---------------|---|
| You           | wage and fringe plus some part of the profit, truck cost, insurance, gas. |
| Your employee | wage and fringe, truck cost, insurance, gas.                              |

Distributor flat fee per pound or unit or mile, and/or percentage of the (farm gate / wholesale) value of the product.

*Pros and cons of distribution options*

Each distribution option has good things and not-so-good things about it.

| Delivery option        | Pros   | Cons  |
|------------------------|--|---|
| You deliver            | You get to meet customers and get feedback.  | You are away from the farm. It may cost you more in lost productivity than you would pay someone to do the job.         |
| Employee delivers      | You can focus on high quality production.  | It will cost you labor wages. Your employee is now the “face” of your company with your customer.                       |
| Commercial distributor | You can focus on high quality production. Distributor might have a better (refrigerated, covered) truck than you. Distributor might help you get into even more markets. | Cost you some amount of money. Will not be the “face” of your company with client as they represent many product lines. |

As you can see, each option has trade-offs. It is important to think through your options carefully so that you are efficient with your use of resources (time and money).

*Using your own truck to deliver*

Your truck provides your products with protection from the weather and dust. Many growers deliver in uncovered and un-

refrigerated trucks, and that is not a good practice as shelf-life will be reduced. When shelf-life is reduced your product goes bad faster and shoppers might not want to buy it again.

Your truck is also a rolling advertisement for your company. What does your truck say when it is dirty outside and inside and someone else’s name is on it? Here is a great example of a moving advertisement.



*Negotiating with distributors*

As mentioned earlier, using food distributors has a number of advantages which you will need to pay for. Discuss the following with potential distributors:

- *Cost.* How can you get the lowest cost and maintain the same quality service?
- *Shipping service quality.* Are the trucks cleaned daily and are all produce kept on pallets? Is there a refrigerator unit in the truck and is it well-maintained?
- *Insurance coverage.* How will your product be covered by insurance and what is the process for filing a claim?
- *Expanding markets.* Where else might your product be sold within your shipper’s present route?

*Where to find distributors*

There are a number of food distributors on Oahu. The yellow pages lists them under “food brokers” and “food products –

wholesale and manufacturers.” You can also talk with friends about the service providers they are using. Many wholesalers make farm visits to pick-up crops as well.

### *Shipping inter-island*

Boat or air shipping is available to the neighbor islands (see the lesson on Exporting for information about shipping to the mainland and overseas). Like working with a distributor, working with a shipper requires that you know how your product is going to be handled under all circumstances (bad weather, power outage, employee strike). Ask your prospective shipper:

- Cost: How can you get the lowest cost and maintain the same quality service?
- Shipping service quality: Are the containers cleaned daily, and all produce kept on pallets? Is there a well-maintained refrigerator unit?

- Insurance coverage. How will your product be covered by their insurance and what is the process for filing a claim?
- Staging: Where will your product sit in transit? Will it be in a covered area or out in the sun? Will it be cooled or kept frozen?

### Getting your product to market

The more you can get your product out to more people, the better chance you have at selling it. You can distribute your product or hire someone else to do it for you. In any case, spend some time evaluating the pros and cons of your options and pick the one that suits you best. From time to time, evaluate your decision, and make necessary changes.

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Prepared by:  
James R. Hollyer, Program Manager  
CTAHR, ADAP Project  
University of Hawai'i

# Exporting Off Oahu

*There are business opportunities beyond the reef, but developing them requires care*

## Overview

Serving your market on Oahu might be enough work and income for you, and if so, good for you! But, if it is not and you want to expand your market beyond the shores of Oahu, you need to be prepared for additional requirements. These requirements include additional business paperwork and better understanding of banking systems. In addition, for fresh agricultural products, you will typically need a phytosanitary certificate (ensuring that you have checked for diseases and pests on agricultural materials). Exporting to a neighbor island is relatively simple, but the process gets more complex when you ship to the US Mainland and more complex still when shipping to a foreign country. Fear not, it has been done countless times by American agricultural entrepreneurs and is typically just a matter of knowing the rules and following them methodically.

In this lesson, we will provide you the basics of exporting. Because every product and business relationship is unique, take this advice and add it to the knowledge you acquire as you create an opening in a new market.

This lesson provides only an overview on exporting -- the reader is encouraged to read the longer discussions on the many aspects of exporting in the CTAHR book, *This Hawaii Product Went to Market* (<http://www.ctahr.hawaii.edu/ctahr2001/PIO/ForSalePubs.asp>)

## Why is this important?

Exporting is a great way to expose your product to a larger market. In a one-island market you might reach a level where your customers will not buy any more of your

product because their customers won't buy any more. The only way to sell more of your product is to find additional customers – exporting does that for you.

## Where to start

The first thing to do when you want to expand is to take care of the customers you already have. Your present customers provide you with a solid, albeit smaller, market, and if your export ventures do not turn out well, you still need these loyal business partners.

The next step is to think carefully about whether you have the production capacity, skills and time it takes to develop and maintain even more business relationships.

Let's assume that you have the ability to produce and sell 5, 10, 20% more product if you just had the market.

## Find new customers

Business is a match of supply and demand. You are the supplier and someone else is the “demander” or customer. To export, you need to identify new customers in new markets. If you have an exotic product, such as an herb or spice, your first step in finding new markets might be to identify what else is being imported into the U.S. (for other countries the import data may not be easily accessible). The U.S. Department of Agriculture has a wealth of data on imports to the U.S.:

<http://www.marketnews.usda.gov/portal/fv>

For Hawaii import data, go to:

<http://hawaii.gov/hdoa/add/man/mktnews/market-news-reports>

To identify specific customers (including wholesalers, retailers, and/or restaurateurs)

in a given marketplace, try the following to make initial contacts:

- Attend trade shows such as the annual Produce Marketing Association's trade show, or your industry's particular trade show.
- Look for customers on the internet or in the yellow pages.
- Talk to other friends in the business and see if they would be willing to share their contacts with you.

*Promise only what you can deliver*

It is important to know what it will cost you to get your product to a new market and how much of a high quality product you can produce. Once you have a good idea of those numbers, then you need to determine what it will cost you to get your product to market. You will need to add that cost to the cost of production for your product to arrive at a price you can offer to a buyer. UHM-CTAHR has a poster that could help you with your cost of production calculations (see Easy Profit Estimator):

<http://www.ctahr.hawaii.edu/ctahr2001/PIO/>

While the U.S. Postal System may be a shipping option in some cases, you will typically need to get your perishable agricultural product to market faster than the USPS can deliver. Global air shipping companies such as FedEx, DHL, and UPS handle many Hawaii products. Products may also be shipped using airlines either directly or through local freight-forwarders. Similarly, when shipping on the ocean, there are large and small companies. Get on the phone and/or visit these service providers with a sample of your product before you make contact with your prospective buyers. Make sure you understand the shipper's ability to keep your product cool, protected from the sun, protected from theft, and their insurance policies just in case your product is damaged in transit. Determine your

shipping cost and add that to your cost of production.

Once you have your total cost (cost of production plus all costs of shipping and handling) and have determined how much you will charge, it is time to make first contact with potential buyers. Call wholesalers in your desired target market and talk to them about the possibility of carrying your Hawaii product. Sell them on your product by explaining its qualities. Sending them a product sample (plus a nice box of Hawaii Macadamia nut chocolates!), brochure, a business card, and a price list can help them understand if there is potential in your product. In your initial discussions with your potential new buyer, ask how much they think they can sell in a week/month/season/year and if they can meet your price (with all the shipping costs included). Be prepared to negotiate a bit on price, thus you should have a little "padding" in your price so that even if you accepted a few cents less per pound or unit, your total revenues would still be more than your costs and you would make a profit.

*Getting your product ready for market*

Dressing up your product in a nice package (attractive and stable enough to arrive at its destination in good shape) is important to catching the eye of your customers (refer to the lesson on Positioning and Branding). Not only is it important to impress the final customer, but your wholesaler as well. The wholesaler typically handles hundreds of products so make it easy for the wholesaler to handle your product. Be sure product boxes can stack so that they can store and sell more of your products to their customers. There are many designers in Hawaii who can help you with your package design.

One of the things you need to be aware of is product labeling requirements. There are a number of U.S. and Hawaii (and other

state and international) labeling requirements. For example, since September 2008, U.S. agricultural products must be labeled according to Country of Origin Labeling (COOL) regulations. For a listing of current labeling guidelines, contact both the Hawaii Department of Agriculture's Commodities Branch (<http://hawaii.gov/hdoa/qad/comm/comm/> (808)832-0700) for raw agricultural products, and the Hawaii Department of Health's Food and Drug Branch ([http://hawaii.gov/health/environmental/food\\_drug/about.html](http://hawaii.gov/health/environmental/food_drug/about.html)) (808)586-4725) for processed products.

Some states might also have unique labeling laws to which you must comply (for example when there is a bottle deposit), talk to your buyer about this before you start shipping any product. For international exporting, it is important to work with the U.S. embassies through the USDA Foreign Agriculture Service ([http://www.fas.usda.gov/agx/exporter\\_assistance.asp](http://www.fas.usda.gov/agx/exporter_assistance.asp)). Each country might have laws on labeling, package size, types of materials and the like, so it is best to do your homework before sending your products overseas. The Hawaii Department of Agriculture's Market Development division can also help get you ready to sell beyond the reef with advice, access to tradeshow, and other valuable services (<http://hawaii.gov/hdoa/add/md/> (808)973-9595).

One of the best things in working with the Foreign Agricultural Service is that they have offices in most U.S. embassies in the world and they have local employees as well as U.S. citizens working for them. Thus, you can have easy access to people who know about local customs and language, business practices, and money exchange.

### *Don't pack a pest*

The reputation of your product and company is one of the most valuable aspects of your business. One area where producers often make a critical mistake is when they ship products that have not been sufficiently screened or treated for pests. Whole shipments of products have been destroyed in distant markets because they have ants or other pests on or in their product. Destruction of your shipment can cost you a lot of money, a loss of a client, and can damage your reputation.

To determine phytosanitary and general export requirements for your product, get some advice from the Hawaii Department of Agriculture's Plant Industry Division (<http://hawaii.gov/hdoa/pi/> (808)832-0566) and the USDA's Animal Plant Health Inspection Service ([http://www.aphis.usda.gov/import\\_export/index.shtml](http://www.aphis.usda.gov/import_export/index.shtml)) (808)861-8494).

### *Decide how much of the work you want to do*

Now that you have lined-up a buyer and agree on a price and volume, you know about the product labeling and phytosanitary requirements, you have to decide how much of the exporting paperwork and legwork you want to do to get your agricultural product on a boat or airplane and safely to your buyer.

Clearly, with enough time you can do all the tasks required to get your product to a distant market. But, is it worth doing everything? Most producers are faced with the question: *Do I want to do everything, or do I want to focus on what I do best and what brings me the most satisfaction and let others keep some of my revenue in exchange for a service they provide me?* What is the answer for you?

If you don't want to do it all, look for a distributor and/or a freight forwarder. Both have years of experience getting other

peoples' products to market so they can bring that knowledge very quickly.

*Prepare for take off*

Just like running a good farming operation where you sell locally, when you add exporting to your daily routine there is a lot to think about and do well. CTAHR prepared a “pre-flight” checklist for exporting that can give you a solid understanding of all the details that go into exporting. Download it at this link:

<http://www.ctahr.hawaii.edu/oc/freepubs/pdf/ET-1.pdf>

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Prepared by:  
James R. Hollyer, Program Manager  
CTAHR, ADAP Project  
University of Hawai'i

# You Are Not Alone!

*You work hard in your business... here are some agencies that can support you*

## Overview

To be a successful grower *and* successful business person requires that you have different skills in numerous places throughout your farm and business. If you don't have a certain skill, you can buy it, trade for it, or perhaps someone will loan you their expertise. Sometimes we need a little help, and sometimes we need a lot. Fortunately, there are a number of organizations on Oahu that are willing and able to provide a range of services. There is no need to struggle, just ask if your need can be addressed, and you will know right away. If one organization cannot help, try another. Ask upfront if there is a cost and a limit to the services, and what is expected from you to get that service.

## Why is this important?

It is important to do many things well on your farm. If you are good at growing, but not so good at bookkeeping, you put your business in danger of failing financially. It makes a great deal of sense to ask for help when you need it. Certainly, no one can do the labor on your farm for you, but many organizations can provide coaching until you have a new level of competency with a particular skill.

## Helpful organizations

There are many public organizations that you can go to on Oahu that provide services to agricultural entrepreneurs. For a list of non-commercial lending institutions see the lesson on Loans, and for grant organizations see the lesson on Grants. The following list covers many of the other needs of the typical agribusiness person.

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### **Agricultural product processing**

Pacific Gateway Center  
720 North King Street  
Honolulu, Hawaii, 96817  
(808)845-3918  
[info@pacificgateway.org](mailto:info@pacificgateway.org)  
<http://www.pacificgatewaycenter.org/>

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### **Agriculture parks**

Agriculture Resource Management  
Hawaii Dept of Agriculture  
1428 South King Street  
Honolulu, HI, 96814  
(808)973-9478  
[hdoa.arm@hawaii.gov](mailto:hdoa.arm@hawaii.gov)  
[http://hawaii.gov/hdoa/arm/arm\\_agparks](http://hawaii.gov/hdoa/arm/arm_agparks)

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### **Aquaculture development**

Hawaii Department of Agriculture  
Aquaculture Development Program  
1177 Alakea Street #400  
Honolulu, Hawaii 96813  
(808)587-0030  
[info@hawaiiaquaculture.org](mailto:info@hawaiiaquaculture.org)  
<http://hawaii.gov/hdoa/adp>

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### **Agriculture loan**

Agricultural Loan Division  
Hawaii Dept of Agriculture  
1428 South King Street  
Honolulu, HI, 96814  
(808)973-9460  
<http://hawaii.gov/hdoa/agl/agl>

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### **Business Development**

Honolulu Small Business Development Center

1833 Kalakaua Avenue - Suite 400

Honolulu, HI 96815

(808)945-1430

<http://www.hawaii-sbdc.org/honolulucenter.htm>

Agribusiness Incubator Program

University of Hawai'i

3050 Maile Way, Gilmore 115A

Honolulu, Hawaii, 96822

(808)956-3530

[agincubator@ctahr.hawaii.edu](mailto:agincubator@ctahr.hawaii.edu)

<http://aip.hawaii.edu/>

Oahu Resource Conservation and Development

99-193 Aiea Heights Drive, Suite 111

Aiea, Hawaii, 96701

(808)483-8600, #113

<http://www.oahurcd.org/>

Score Hawaii, Inc.

300 Ala Moana Blvd. Rm. 2-235

Honolulu, Hawaii 96850

(808)547-2700

[hawaiiscore@hawaiiscore.org](mailto:hawaiiscore@hawaiiscore.org)

<http://www.hawaiiscore.org/>

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### **Commodity standards**

Commodities Branch

Hawaii Department of Agriculture

1851 Auiki Street

Honolulu, HI 96819-3100

(808)832-0700

<http://hawaii.gov/hdoa/qad/comm/comm>

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### **Disaster**

- Noninsured Crop Disaster Assistance Program
- Emergency Conservation Program
- Emergency Loans
- Disaster Set Aside
- Supplemental Agriculture Disaster Assistance

USDA, Farm Service Agency

99-193 Aiea Heights Drive, Suite 114

Aiea, Hawaii, 96701

(808)483-8600, #353

<http://www.fsa.usda.gov/>

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### **Disease / pest identification**

UHM-CTAHR, Agricultural Diagnostics Service Center

1910 East-West Rd., Sherman 134

Honolulu, HI 96822

(808)956-6706

<http://www2.ctahr.hawaii.edu/adsc/>

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### **Enforcement (import)**

USDA, Smuggling Interdiction and Trade

3375 Koapaka St, #G-330

Honolulu, Hawaii, 96819

(808)861-8445

[http://www.aphis.usda.gov/international\\_safeguarding/sitc/index.shtml](http://www.aphis.usda.gov/international_safeguarding/sitc/index.shtml)

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### **Extension offices (University of Hawai'i CTAHR)**

<http://www.ctahr.hawaii.edu/site/Extprograms.aspx>

UHM-CTAHR, Mānoa Campus Office

1955 East-West Rd, Ag Sci 217

Honolulu, HI 96822

(808)956-7138

UHM-CTAHR, Kaneohe Extension Office

45-260 Waikalua Road, Suite 101

Kaneohe, HI, 96744

(808)247-0421

UHM-CTAHR, Pearl City Urban Garden  
955 Kamehameha Hwy.  
Pearl City, HI 96782-3344  
(808)453-6050

UHM-CTAHR, Wahiawa Extension Office  
910 California Ave.  
Wahiawa, HI 96786-2124  
(808)622-4185

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**Feed testing**

UHM-CTAHR, Agricultural Diagnostics  
Service Center  
1910 East-West Rd., Sherman 134  
Honolulu, HI 96822  
(808)956-6706  
<http://www2.ctahr.hawaii.edu/adsc/>

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**Food imports**

For International Shipment – USDA  
For Domestic US Shipment – Animals,  
Plants, microorganisms  
Hawaii Department of Agriculture  
Plant Quarantine Branch  
1849 Auiki St.  
Honolulu, HI 96819  
(808)832-0566

Animal Quarantine Branch  
(808)483-7151  
[http://hawaii.gov/hdoa/Info/doa\\_importing](http://hawaii.gov/hdoa/Info/doa_importing)

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**Food safety coaching**

*Farm*  
UHM-CTAHR, Agriculture Development in  
the American Pacific  
3050 Maile Way, Gilmore 112  
Honolulu, HI 96822  
(808)956-9539  
<http://www.ctahr.hawaii.edu/adap/FoodSafety/>

*Food processing*  
UHM-CTAHR, Tropical Plant and Soil  
Science Department  
3190 Maile Way, St. John 102  
Honolulu, HI 96822  
(808)956-6564  
<http://www.ctahr.hawaii.edu/aurora/foodsafety.asp>

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**Gardening questions and Master  
Gardeners**

UHM-CTAHR, Pearl City Urban Garden  
955 Kamehameha Hwy.  
Pearl City, HI 96782-3344  
(808)453-6050  
<http://www.ctahr.hawaii.edu/ougc/>

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**Land conservation practices**

USDA, Natural Resource Conservation  
Service  
99-193 Aiea Heights Drive, Suite 109  
Aiea, Hawaii, 96701  
(808)483-8600, #101  
<http://www.pia.nrcs.usda.gov/>

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**Labeling, weights and measurements**

Measurement Standards Branch  
Hawaii Department of Agriculture  
1851 Auiki Street  
Honolulu, HI 96819-3100  
(808)832-0700  
<http://hawaii.gov/hdoa/qad/ms/ms>

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**Loans**

*Federal*  
USDA, Farm Service Agency  
99-193 Aiea Heights Drive, Suite 114  
Aiea, Hawaii, 96701  
(808)483-8600, #353  
<http://www.fsa.usda.gov/>

*State*

State of Hawaii Department of Agriculture  
Agricultural Loan Division  
1428 South King Street  
Honolulu, Hawaii, 96814  
(808)973-9460  
<http://hawaii.gov/hdoa/agl/agl>

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**Milk**

Milk Control Section  
Hawaii Department of Agriculture  
1851 Auiki Street  
Honolulu, HI 96819-3100  
(808)832-0700  
<http://hawaii.gov/hdoa/qad/comm/milk-control/?searchterm=milk%20control>

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**Markets (farmers)**

City & County Department of Parks and Recreation People's Open Market  
1527 Keeaumoku Street  
Honolulu, HI 96822  
(808)522-7088  
<http://www.co.honolulu.hi.us/parks/programs/pom/>

Hawaii Farm Bureau Federation  
2343 Rose Street  
Honolulu, HI, 96819  
(808)848-2074  
<http://www.hfbf.org/>

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**Market development**

Market Development Branch  
State of Hawaii Department of Agriculture  
1428 South King Street  
Honolulu, HI, 96814  
(808)973-9591  
<http://hawaii.gov/hdoa/add/?searchterm=market%20development>

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**Other**

- Value Added Producer Grant Program
- Rural Energy for American Program

USDA, Rural Development  
99-193 Aiea Heights Drive, Suite 111  
Aiea, Hawaii, 96701  
(808)483-8600, #355  
<http://www.rurdev.usda.gov/>

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**Pest / disease identification**

UHM-CTAHR, Agricultural Diagnostics Service Center  
1910 East-West Rd., Sherman 134  
Honolulu, HI 96822  
(808)956-6706  
<http://www2.ctahr.hawaii.edu/adsc/>

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**Pesticides**

*Education*

UHM-CTAHR, Hawaii Pesticide Risk Reduction Education  
3190 Maile Way, St. John 307  
Honolulu, HI 96822-2271  
(808)956-6007  
<http://pesticides.hawaii.edu/>

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*Enforcement*

Pesticides Specialist  
Hawaii Dept. of Agriculture - Pesticides  
1428 South King Street  
Honolulu, Hawaii, 96814  
(808)973-9401  
<http://hawaii.gov/hdoa/pi/pest>

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**Professional organizations**

Hawaii Farm Bureau Federation  
2343 Rose Street  
Honolulu, HI, 96819  
(808)848-2074  
<http://www.hfbf.org/>

Hawaii Department of Agriculture's list on organizations:

<http://hawaii.gov/hdoa/add/products-database>

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### **Rainwater catchment**

UHM-CTAHR, Rainwater catchment program

Cooperative Extension Service □

875 Komohana Street

Hilo, HI 96720

(808)981-5199

<http://www.HawaiiRain.org/>

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### **Seeds**

UHM-CTAHR, Seed Program

1910 East-West Rd Sherman Lab 108

Honolulu, HI 96822

(808)956-7890

<http://www.ctahr.hawaii.edu/seed/>

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### **Sustainable agriculture**

UHM-CTAHR, Natural Resources and Environmental Management

1910 East-West Rd., Sherman Lab 101

Honolulu, HI 96822

(808)956-7530

<http://www.ctahr.hawaii.edu/sustainag/>

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### **Soil testing**

UHM-CTAHR, Agricultural Diagnostics Service Center

1910 East-West Rd., Sherman Lab 134

Honolulu, HI 96822

(808)956-6706

<http://www2.ctahr.hawaii.edu/adsc/>

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### **Statistics**

*Annual, monthly data*

National Agricultural Statistics Service

1428 South King Street

Honolulu, Hawaii, 96814

(808)973-9588

[http://www.nass.usda.gov/hi/stats/t\\_of\\_c.htm](http://www.nass.usda.gov/hi/stats/t_of_c.htm)

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*Weekly wholesale prices and barge arrivals*

Hawaii Market News Service

1428 South King Street

Honolulu, Hawaii, 96814

(808)973-9745

<http://hawaii.gov/hdoa/add/man>

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Prepared by:

James R. Hollyer, Program Manager

CTAHR, ADAP Project

University of Hawai'i

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