

Conservation Incentive Loan Product

CalCAN Lightning Talk

February 28, 2017



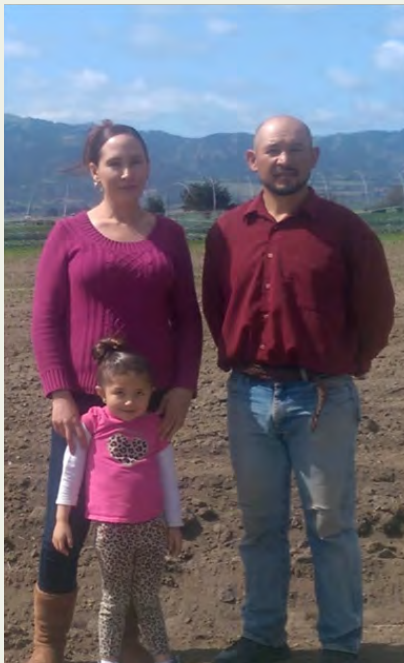
A farmer's perspective...



What is a “Conservation Incentive” loan product?

A SOLUTION ADDRESSING 3 ISSUES IN AGRICULTURE:

- Social/financial barriers
- Water quality & quantity
- Conservation practice implementation



How will this be achieved?

Overarching Strategy:

- Provide educational resources, equipment, and a **financial incentive** to work with Conservation Specialist, to implement practices, and achieve conservation goals

Key components:

- Complementary partnership
- Appropriate resources & specialists provided to farmers
- ***Financial incentive provided by lender***
- Operating Cost reduction (water & nutrient use)

How does it work?

Year 1 (Prerequisite):

- 1) Initial inquiry/ Basic eligibility
- 2) Conservation evaluation/ baseline / goals
 - 1) Water use
 - 2) Nutrient use
- 3) Loan application preparation



- **INCENTIVE:** Program pre-approval &
End of season “Bonus check”

How does it work?

Year 2-5:

- 1) Loan application/approval
- 2) Conservation practice implem
- 3) Measurement of performance



➤ **INCENTIVE:** End of season “Rebate Check”

Financial Incentive Tiers

Years 2-5 (Implementation & Performance):

2.
Improved
Performance

- Highest incentive

3.
Maintained
performance

- Slightly lower incentive

1.
Implementation

- Slightly lower incentive

0.
Reduced
performance

- *No incentive*



LOAN TYPES:	Operating Loan	Equipment Loan
Intended use:	Operating/ working capital expenses: seeds, amendments, lease, labor, etc...	Equipment & infrastructure: Tractor, implements, irrigation system
Amount:	\$2,000 - \$750,000 ? - ?	\$2,000 - \$750,000 ? - ?
Loan Fee:	2%	2%
Interest Rate:	7% → ?	7% → ?
Repayment Terms:	6-14 months	12-84 months



Where are we in the process?

As of today...

- Collaborative product/program design
- Pilot cohort: evaluation/baseline/goal establishment

Looking ahead...

- Financial incentive structure: Amount & format
- Development activities: seeking loan & TA funds
- Pilot cohort: financial incentive roll-out
- Enrollment open to next cohort
- Assessment & Replication

Thank you!



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