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Grains to grow on -- Rice miller turned loans into jobs, but Bush budget may end program

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With a \$1.5 million construction loan from Enterprise Corp. of the Delta, Ephron Lewis was able to expand his Earle, Ark., rice mill.

Now Lewis & Son Rice Processing Inc. puts 16 full-time workers on the payroll when business is good - up from five part timers. "They (Enterprise) were real significant in helping us do what we wanted to do," Lewis said.

The Enterprise Corp. loan was part of the Community Development Financial Institutions (CDFI) program, which primarily provides loans to businesses in areas that need economic development. CDFIs make loans that generally would not be made by mainstream banks. But under the 2006 federal budget proposed by President Bush, money for such loans - and for expansion of banking services in rural areas in the Delta - may dry up.

"The CDFI program was one of many installed in the Clinton administration and it has never been fully supported by the Bush administration," said Phil Baldwin, president and chief executive officer of Southern Development Bancorporation, a development bank based in Arkadelphia, Ark.

With banks in Arkadelphia and Helena, Ark., as well as Northwest Mississippi, the development bank provides services to people in rural areas, many of whom wouldn't have access to banks without Southern.

Baldwin's company is the largest single organization funded by CDFI - to the tune of \$1.8 million last year. The CDFI cuts are part of the Bush administration's attempt to trim the current budget deficit of \$497 billion to \$390 billion - some 3.5 percent of gross domestic product.

"Fortunately, this is only a proposal," said Bill Bynum, CEO of the Jackson, Miss.-based Enterprise Corp. "Particularly in the past few years when the economy has been down, the program has been a very important means for people to stay above water."

The Bush administration has proposed consolidating 35 economic and community development programs, including 18 that make grants, into one and cutting the combined budgets from \$16.2 billion this year to \$15.5 billion in 2006 (which starts Oct. 1), said Troy Stang, director of public and legislative

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affairs for the CDFI Fund.

The fund itself would lose its identity through the merger, but the fate of all of its funding hasn't be decided, Stang said.

"There are only so many dollars to go around," he said. "Our focus is to make sure the communities most in need are getting the dollars."

President Bush purposely did not put out a hard and fast plan because he wanted discussion on specifics among administration officials, Congress and people in the industry, Stang said.

To go forward, the President's proposal would need the approval of the House Financial Services Committee, the Senate Banking Committee, and the appropriations committees.

But his winning the support of Congress is not a sure thing given the political popularity of programs that would be eliminated.

"I'm having a hard time understanding the rationale behind the cuts to the CDFI program despite clear evidence of it having a tremendous impact on the low-income community," Bynum said.

Enterprise Corp. used that funding to back the Lewis & Son expansion in 2001. Lewis, 71, said he met a representative of the company at a meeting in 1997 and started talking with him about plans to remodel and expand his rice processing plant. He and his wife, Doris, are the only minority owners of such a plant in the United States, Bynum said.

Lewis was having trouble getting private financing for the project.

He applied and got the loan, which allowed him to build a new facility and put machines in it - hullers, washers, whiteners - and expand his business.

Lewis buys rice from brokers and hauls it with his own trucks. He sells white and brown rice to food makers, including pet food manufacturers, bran for cattle feed and hulls to chicken farmers to put on the floors of coops.

With the construction loan in hand, Lewis was able to convince other lenders of his reliability to get permanent financing, he said.

Meanwhile, his business grew from between \$800,000 and \$900,000 a year in revenues before the expansion to \$1 million to \$2 million he expects to take in this year. Profits went up, too.

"Once we get the bills (loan) paid, we should be in a position to reap some real benefits," Lewis said.

Others may not be as fortunate if the proposed budget cuts go through.

"We're talking about massive, massive reductions that will take away from a lot of underserved areas in the U.S.," said Brent Hales, director of the Center for Community and Economic Development at Delta State University in Cleveland, Miss.

Generally, rural areas suffer more poverty problems than cities, Hales said.

"People in rural areas are most likely to utilize these programs, partly because of the regulations, but also because of their lack of access to urban services," he said.

What may help preserve money for programs like the CDFI fund is that congressmen of both parties represent rural areas, Hales said.

One of them is Sen. Thad Cochran, R-Miss., chairman of the Senate Appropriations Committee.

"Our committee is aware of these concerns," Cochran said. "I am optimistic that we will be able to continue to provide funds to small towns and rural communities and job creation activities."

If that doesn't happen, Southern Development's growth rate will slow from about 20 percent to 15 percent, Baldwin said.

That won't hurt operations or reduce programs, but it will affect the banking business, he said.

"What we do primarily is go into small, rural communities where the existing bank wants to divest itself because the community is stagnant or shrinking," Baldwin said.

"Big banks can't afford to stay in those communities. They can either sell them to a group like us or close them."

So a cut in CDFI Fund money could reduce the number of places that Southern Development could do that. That means some rural communities could end up without banks.

Enterprise Corp. hasn't tapped into the CDFI fund since 2001, but, Bynum said, "It was instrumental to our success in attracting private capital and growing our operation.

"We were able to fund small businesses and broadened that to affordable housing and health and childcare facilities in communities without ready access to capital," he said.

In one program, the company worked with Fannie Mae, a government-sponsored enterprise that finances mortgages to come up with a special loans for people with disabilities, Bynum said.

All told, the 10-year-old organization, which includes a credit union, has provided more than \$200 million in financing to about 10,000 homebuyers and entrepreneurs along with technical help and financial counseling, he said. For every \$1 in federal money, the agency has raised \$21 in private funds, Bynum said.

Because of such successes, Hales said, "It probably will be cut significantly but the program won't die."

- **David Flaum:** 529-2330

LEWIS & SON RICE PROCESSING Inc.

Owners: Ephron and Doris Lewis

Address: 1127 CR 1005, Earle, Ark.

Employees: 16

Estimated revenues: \$1 million to \$2 million in 2005.

Phone: 870-755-2831

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

What: CDFIs primarily provide loans to businesses in areas that need economic development and would not qualify for traditional loans.

Appropriate for: Companies that can demonstrate the ability to repay a loan but can't get one because of past credit problems, the size of the loan request, limited equity from founders or limited collateral.

Participating institutions: Banks, credit unions and loan funds.

Number getting CDFI Fund Grants: 68

2004 grant totals: \$50 million.

Area recipient: Southern Development Bancorporation, Arkadelphia, Ark.

2004 amount: \$1.8 million.

Caption: Photos by Lance Murphey/The Commercial Appeal

Lewis & Son Rice Processing Inc., near Parkin, Ark., is the only minority-owned plant of its kind in the country. It supplies farmers, pet feed makers and food manufacturers.

Ephron Lewis, owner, received a 2001 grant from a Community Development Financial Institution (CDFI). The Bush administration is proposing eliminating the program in 2006.

Freddie 'Smiley' Cohen works on a rice sheller behind a rice cleaner machine, which removes the bran from rice at Lewis & Son Rice Processing Inc. near Parkin, Ark.

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