

**Bureau of Agricultural Finance,
Council of Agriculture, Executive Yuan
2004 Annual Report**

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Bureau of Agricultural Finance Council of Agriculture, Executive Yuan Annual Report for 2004

Contents

	Page
Preface	
A. Organization.....	2
(1) Organization and duties	3
(a) Organization Chart	3
(b) Major services and functions.....	4
(c) Departments and their functions	4
(2) Management and staff	8
(a) Management Team	8
(b) Organizational staff	8
(c) Age and Education Level Statistics.....	10
B. Major Administrative Measures and Performance	11
(1) Strengthening oversight of agricultural finance	12
(a) Enhancing oversight of farmers' and fishermen's association credit departments	12
(b) Procedures for handling poorly-run farmers' and fishermen's associations (Hsinpi Township Farmers' Association)	12
(c) Handling of relevant issue concerning the 36 farmers' and fishermen's associations whose credit departments have taken over by banks	13
(2) Establishment of an agricultural finance guidance system	15
(a) Cultivation of superior agricultural finance talent	15
(b) Establishment of an agricultural finance information community website.....	16
(c) Promotion of international agricultural finance cooperation and interchange	16
(3) Strengthening of policy-oriented agricultural project loan implementation	17
(a) Easing restrictions and simplification of procedures	17
(b) Addition of new loan programs.....	20
(c) Substantial increase in total amount of agricultural project loans	20

(d) Enhancing awareness and financing assistance	21
(4) Preparing for the establishment of the Agricultural Bank of Taiwan	23
(a) Establishment and funding	23
(b) Business items	23
(c) Matters to be done with respect to the credit departments of farmers' and fishermen's associations	23
(d) Preparation progress	24
C. Agricultural Finance Overview	25
(1) Overview of current operations of farmers' and fishermen's association credit departments	26
(a) Scale of operations	26
(b) Profits	26
(c) Loan quality and risk-bearing capacity	26
(d) Business statistics	31
(2) Agricultural project loan program implementation	37
(a) Agricultural Development Fund loan implementation	37
(b) Implementation of low-interest loans for agricultural natural disasters	42
(c) Implementation of Sino-American Fund for Economic and Social Development loans	43
D. Key Future Administrative Tasks	44
(1) Helping the Agricultural Bank of Taiwan to start operations	45
(2) Supervising Agricultural Bank of Taiwan's assistance work and determining guidelines for loans transferred to the Bank	45
(3) Establishing a model for the disposition of poorly-run credit departments	45
(4) Resolving the problem of the disputed farmers' and fishermen's association assets when credit departments assigned to banks	46
(5) Revising agricultural finance laws	46
(6) Planning an online agricultural financial reporting system	47
(7) Shifting control of Agricultural Credit Guarantee Fund to the COA	47
(8) Establishing an agricultural asset management company	47
(9) Drafting measures in response to the termination of the Executive Yuan Financial Restructuring Fund	48
(10) Strengthening financial oversight cooperation	48

E. Appendix.....	49
(1) Major Events	50
(2) The Bureau’s Budget and Final Accounting.....	54
(a) 2004 Budget	54
(b) Final Accounting for 2004.....	54
(c) 2005 Budget	55

PREFACE

The Bureau of Agricultural Finance was established on January 30, 2004 with the implementation of the “Agricultural Finance Law” in order to achieve the goal of unified management of farmers’ and fishermen’s associations and their credit departments as stated by the Council of Agriculture (COA), Executive Yuan at the “National Agricultural Finance Conference” of November 30, 2002. The Bureau's goals include the establishment of a comprehensive and secure agricultural finance system—including a national agricultural bank—improvement of guidance for the credit departments of farmers’ and fishermen’s associations, improvement of agricultural financial oversight, expansion of policy-oriented agricultural project loans, enhancement of agricultural finance information disclosure, cultivation of agricultural finance talent, and improvement of efficiency at agricultural financial institutions. After implementing various policies and plans using agricultural finance to promote agricultural development and employing agricultural development to maintain the stable growth of agricultural finance, we look forward to rebuilding the competitive advantages of farmers’ and fishermen’s association credit departments and helping them regain the public trust.

All of us from the Bureau will continue to strive to promote the development of agricultural finance while upholding our core value of serving farmers and fishermen and maintaining high levels of “service,” “professionalism,” and “reliability.”

Director General of the Bureau of Agricultural Finance, Council of Agriculture, Executive Yuan

A. Organization

(1) Organization and duties

(a) Organization Chart

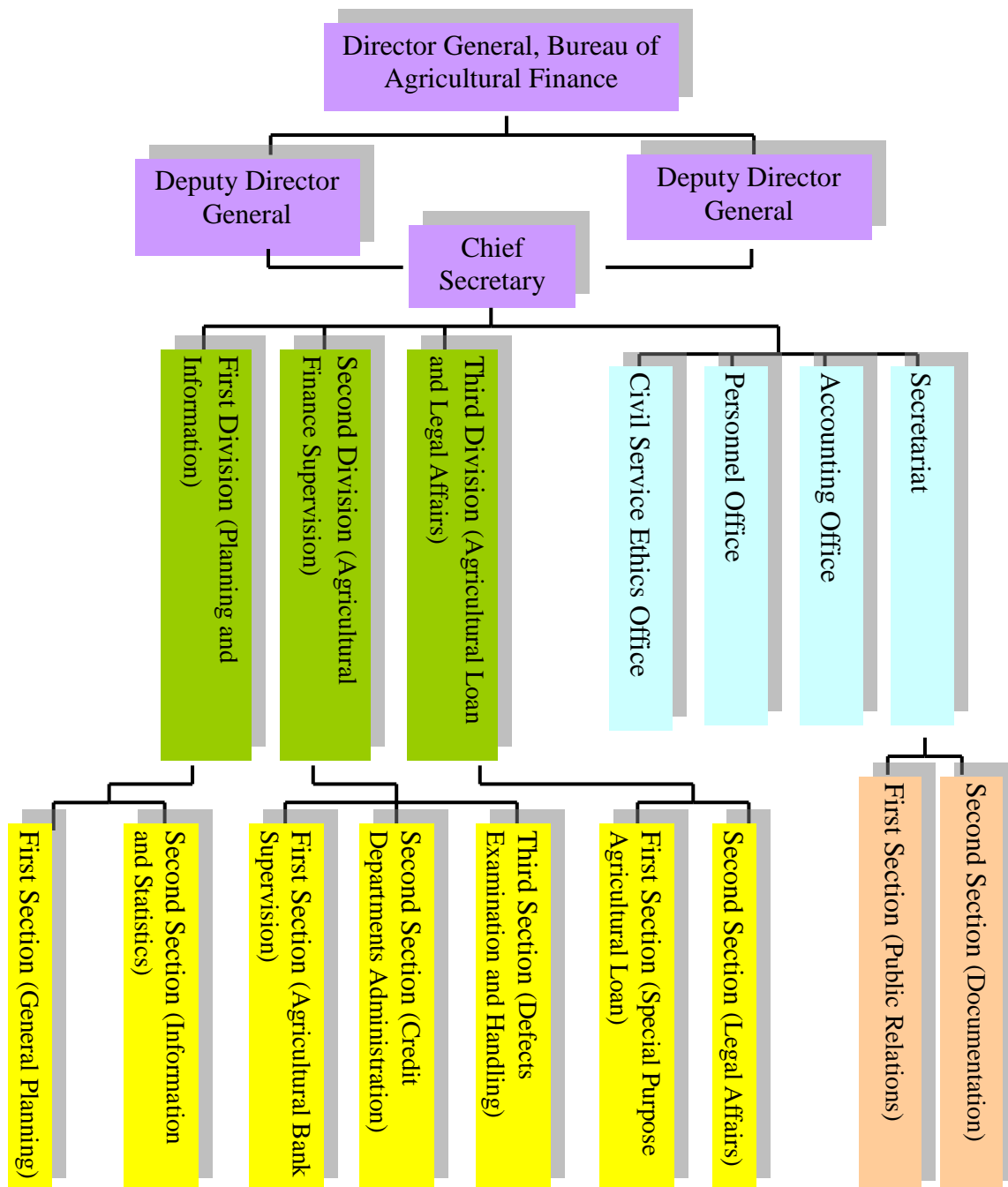


Figure 1. The Bureau's Organizational Structure

(b) Major services and functions

- (i) Supervision and examination of the agricultural finance system:
Oversight, administration, and examination of agricultural financial institutions; review and processing of the establishment, cancellation, business suspension/resumption, and merger of institutions.
- (ii) Formulation, amendment, and enforcement of agricultural finance laws:
The formulation, interpretation, and enforcement of relevant laws; detection, punishment, and handling of violators.
- (iii) Assistance and coordination of agricultural financial affairs:
Guidance and assessment of the services, financial affairs, and personnel matters of agricultural financial institutions; provision of coordination mechanisms and accompanying measures for liaison with relevant institutions or departments.
- (iv) Planning and promotion of agricultural strategic case financing:
Planning, fund raising, and utilization of agricultural project loan programs; formulation and supervision of complementary measures for the utilization of the Agricultural Credit Guarantee Fund.

(c) Departments and their functions

- (i) First Division (planning and information)
The division is divided into two sections respectively in charge of planning, formulation, information, and statistical matters. There are five regular employees as of the end of 2004.
 - (1) First Section (general planning)
 - The formulation, drafting, planning, coordination, and oversight of the agricultural finance system and supervision policies.
 - Drafting of annual administrative policies and the study, drafting, planning, supervision, and assessment of administrative programs.
 - Analysis and evaluation of domestic and foreign agricultural financial affairs.
 - The study, drafting, planning, supervision, and assessment of agricultural finance operating programs and plans.
 - The planning and promotion of agricultural finance research projects.

- Coordination and liaison of international and cross-straits cooperation and interchange in agricultural finance.
- Relevant matters concerning agricultural finance education and training.

(2) Second Section (information and statistics)

- The planning, study, drafting, collection, collation, checking, approval, and analysis of agricultural finance statistics and information.
- The establishment, management, and application of agricultural finance statistics and information databases.
- The establishment and management of the agricultural project loan program consulting system.
- Liaison concerning domestic and foreign agricultural finance statistical affairs and the sharing of statistical information.
- Planning, establishment, and utilization of the agricultural finance information network.
- Planning, coordination, and liaison with regard to agricultural finance information development.
- Planning and utilization of the national agricultural finance database.
- Supervision of Agricultural Bank of Taiwan's joint use of farmers' and fishermen's association credit department information.

(ii) Second Division (Agricultural Finance Supervision)

The division is divided into three sections to be responsible for the registrations of agricultural banks and credit departments, reports examinations, credit departments' management, functions of farmers' and fishermen's associations, personnel checking and trainings, and general affairs of grassroots finances. There were fifteen regular employees as of the end of 2004.

(1) First Section (supervision of the Agricultural Bank of Taiwan)

- Coordination and liaison of matters connected with the agricultural finance system.
- Establishment, revocation, cancellation, relocation, business suspension/resumption, and liquidation of the Agricultural Bank of Taiwan's headquarter and branches.
- Management, supervision, guidance, and assistance of the Agricultural

Bank of Taiwan, and the enforcement of relevant laws.

- The evaluation of the Agricultural Bank of Taiwan's services, finances, and personnel, and the matters connected with the management of government shareholdings and the representatives.
- Handling of the Agricultural Bank of Taiwan's inspection reports; tracking and checking of defect improvements.
- Handling of the Agricultural Bank of Taiwan's major and incidental irregularities.
- Management matters concerning the Agricultural Bank of Taiwan, including business guidance, operation and financial verification, capital finance, and credit departments' excess capital deposits.
- Financial evaluation and performance assessment of the Agricultural Bank of Taiwan's credit departments.
- Management of the Agricultural Bank of Taiwan's approval of loans handled by credit departments when bank approval is required.

(2) Second Section (administration of credit departments)

- Establishment, revocation, cancellation, relocation, business suspension/resumption, and liquidation of credit departments' headquarters and branches.
- Determination and revision of the scope of business for credit departments.
- Consolidation and merger of credit departments; handling of matters connected with Financial Restructuring Fund.
- Management and supervision of credit departments and relevant legal enforcement.
- Evaluation of credit departments' services, finances, and personnel.
- Supervisory and liaison services for municipal and county governments with regard to matters connected with credit department management.

(3) Third Section (detection and handling of irregularities)

- Authorization of financial auditing institutions to handle and coordinate audit matters.
- Handling of credit departments' audit reports; detection, punishment, and handling of violations against relevant agricultural finance laws.
- Supervisory and liaison services for municipal and county governments

with regard to the tracking and handling of credit departments' irregularities mentioned in audit reports.

- Tracking and evaluation of credit departments' improvements in cases of legal violations and irregularities.
- Handling of credit departments' major and incidental irregularities.
- Establishment, revocation, cancellation, and business suspension of credit departments' headquarters and branches; determination of scope of services and the joint handling of any revisions.

(iii) Third Division (agricultural loans and legal affairs)

The division consists of two sections respectively in charge of relevant legal affairs concerning agricultural finance and policy-oriented agricultural project loans. There were six regular employees as of the end of 2004.

(1) First Section (agricultural project loans)

- Formulation, drafting and planning of agricultural project loan policy and system.
- Formulation, drafting, interpretation, and revision of laws and regulations governing agricultural project loan programs.
- Formulation, drafting, and supervision of fund raising, utilization, and interest-spread subsidy policies in connection with the agricultural project loan program.
- Publicity, guidance, management, and evaluation tasks in connection with the agricultural project loan program.
- Planning, deliberation, and promotion of the Agricultural Development Fund and Sino-American Fund agricultural project loan programs.
- Management, supervision, inspection, guidance, and evaluation of agricultural loan services provided by agricultural financial institutions.
- Planning, promotion, and supervision of agricultural financial guidance, assistance, and coordination measures.
- Supervision, coordination, liaison, and assistance to institutions providing agricultural credit guarantees.

(2) Second Section (legal affairs)

- Drafting, revision, cancellation, and interpretation of agricultural finance management laws and regulations.

- Formulation and drafting of relevant agricultural finance laws and regulations, and coordination and liaison in connection with other laws and regulations.
- Arrangement, announcement, and publicity of relevant agricultural finance laws and regulations.
- Handling of petitions and administrative suits.
- Other relevant legal affairs.

(2) Management and staff

(a) Management Team

Table 1. The Bureau's major management team members as end of 2004

Position	Name	Position	Name	Position	Name
Director General	Mr. Lai Wu-Chi	Deputy Director General	Mr. Shyu Jyh-Ming	Deputy Director General	Mr. Lin Shi-Lang
Chief Secretary	Miss Lu Lin-Hsiang	Director, First Division	Miss Charlene S.L. Yen	Director, Second Division	Mr. Pan Siuh-Sheng
Director, Third Division	Mr. Chen Jaw-Wen	Director, Secretariat	Mr. Chen Yue-Hong	Director, Accounting Office	Miss Chen Chun-Tsu
Director, Personnel Office	Miss Pan I-Mei	Director, Civil Service Ethics Office	Mr. Fang Jiu-Tai		

(b) Organizational staff

In accordance with Organizational Act, the Bureau of Agricultural Finance's statutory staff shall consist of one director general to manage affairs of the Bureau and two deputy director generals to assist in the affairs of the Bureau. In addition, there is also one chief secretary, three division directors, three deputy directors, one secretariat director, three senior specialists, three directors respectively in charge of the Personnel Office, Accounting Office and Civil Service Ethics Office, seven to nine section chiefs, two secretaries, seven to nine auditors, one engineer, one systems analyst, six to ten specialists, one system coordinator, sixteen to twenty officers, one technician, two clerks, one associate clerk, and a statutory quota of 74 personnel. The Bureau's budget is for 59 personnel. The Bureau actually employed 47 personnel as of the end of 2004.

With regard to the number of workers, the Bureau has been allocated a quota of seven workers, and had actually employed seven workers as of the end of 2004.

Table 2. Staff and Worker Statistics for 2004

Time	Total employed personnel	Total employed workers	Remarks
January 30	6	0	Deputy Director General, Chief Secretary, Director, Deputy Director, Section Chief and Specialist, one position for each post.
February	7	0	
March	21	0	
April	26	1	
May	28	2	
June	31	2	
July	31	3	
August	34	3	
September	41	4	
October	43	4	
November	45	6	
December	47	7	

(c) Age and Education Level Statistics

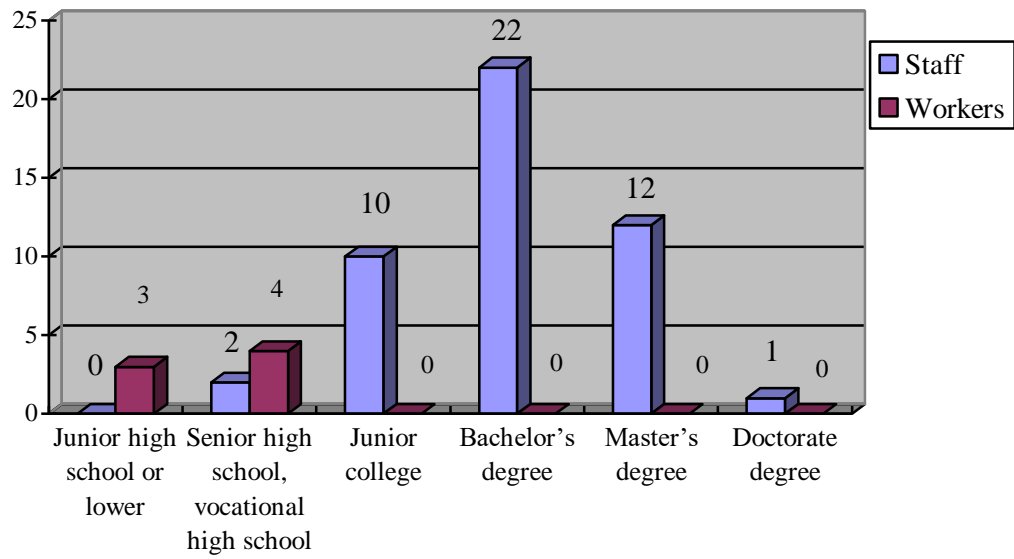


Figure 2. Bureau staff and workers' educational levels at the end of 2004.

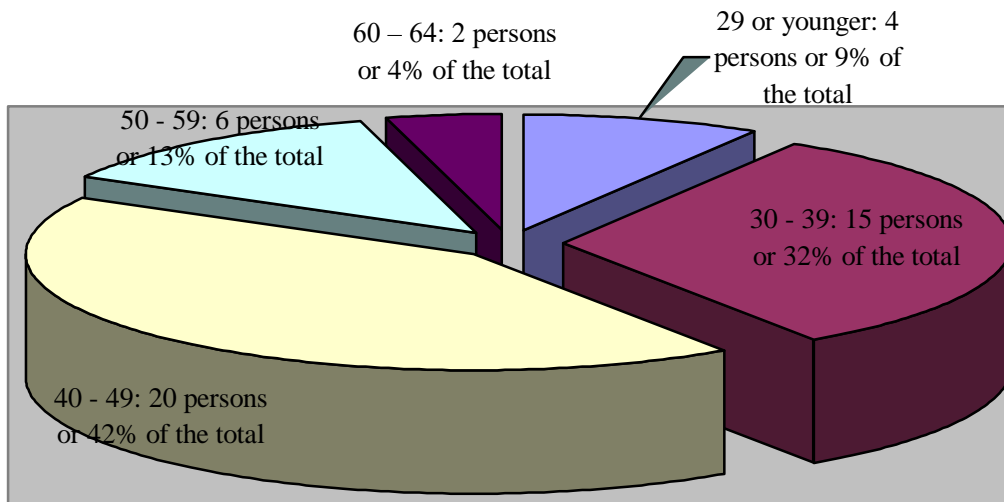


Figure 3. Personnel age distribution at the end of 2004

B. Major Administrative Measures and Performance

(1) Strengthening oversight of agricultural finance

(a) Enhancing oversight of farmers' and fishermen's association credit departments

- (i) Prior to June 30, 2004, the Central Deposit Insurance Corporation (CDIC) was responsible for on-site audits of the credit departments of farmers' and fishermen's associations. Following the government's unification of financial supervision and administration, in accordance with Article 7 of Agricultural Finance Law, the Financial Supervisory Commission, Executive Yuan (FSC) took over the auditing role beginning in July 2004. The FSC performs off-site monitoring via the CDIC-designed "financial early warning system" and the Central Bank's CARSEL system.
- (ii) With regard to deficiencies listed in farmers' and fishermen's association credit department financial audit reports submitted by the FSC and the CDIC, the Bureau of Agricultural Finance requests local competent authorities to urge the relevant association to make improvements, and includes the association on its control and tracking list. A penalty requiring corrective action is imposed in serious cases, and associations found guilty of illegalities are punished in accordance with the law. In addition, the Bureau provides enhanced guidance to associations that have not yet improved serious deficiencies; applications from such association to establish new services or new branches may be denied or reduced.

(b) Procedures for handling poorly-run farmers' and fishermen's associations (Hsinpi Township Farmers' Association)

(i) Suspension of powers

The credit department of Hsinpi Township Farmers' Association in Pingtung County had unsatisfactory performance and a financial audit found that its adjusted net value was negative. In accordance with Article 37 of the Agricultural Finance Law, the COA suspended all powers and authorities of member representatives, directors, supervisors, and the secretary general of this farmers' association at 3:30 pm on December 17, 2004. On the same day, the COA designated the Bureau to send personnel to establish an acting management task force stationed at the association in conjunction with personnel from the COA Assistance Department, the CDIC, and Pingtung County Government.

(ii) Maintaining normal operations

The Financial Restructuring Fund Trust Committee, Executive Yuan has included the credit department of the foregoing farmers' association on its Committee's coverage list. The Fund has made up the credit department's assets-liabilities gap, and has fully guaranteed deposits and non-deposit liabilities. Furthermore, the Bureau continued to provide deposits, withdrawals, and loan services to the customers of the farmers' association during the period of acting management. The farmers' association was still operating normally as of the end of 2004.

(iii) Handling of mergers

The CDIC appointed Chien Hsing Accounting Firm to evaluate the assets and liabilities of the foregoing association's credit department starting on December 20, 2004. The resulting evaluation report was presented to the Financial Restructuring Fund Trust Committee for reference and to guide determination of minimum compensation payments. The Bureau, CDIC, and Nanchou Township Farmers' Association jointly handled price negotiations. Upon completion of price negotiations, the COA ordered the said farmers' association to merge with Nanchou Township Farmers' Association, the first ever merger of township farmers associations in agriculture finance history, setting up a good model of handling the problem in the future.

(c) Handling of relevant issue concerning the 36 farmers' and fishermen's associations whose credit departments have taken over by banks

(i) Disputed assets

In accordance with the provisions of Article 59, Paragraph 2 of the Agriculture Finance Law, the COA and FSC jointly announced the "Guidelines for the Determination and Disposition of Disputed Assets of Credit Departments Assigned to Banks by Farmers' and Fishermen's Associations" on July 30, 2004. The Guidelines are intended to resolve disputes concerning the original assets that were assigned to banks.

The Guidelines set the date May 9, 1975 as the point in time for credit department establishment and division of assets. With regard to shares, bonds, and fixed assets required for credit department operation that were acquired prior to establishment, the Guidelines stipulate that such assets are regarded as the possession of the farmers and fishermen's associations, and must be returned to the farmers' and fishermen's associations in question.

(ii) Reapplication to establish credit departments

(1) Reapplication to establish a credit department in accordance with law

In accordance with the provisions of Article 59, Paragraph 1 of the Agricultural Finance Law, farmers' and fishermen's associations that have assigned their credit departments to the control of banks according to Article 13 of Financial Institutions Merger Law can reapply to establish credit departments without being subjected to the restriction of Article 14, Paragraph 2 of Financial Institutions Merger Law that stipulates that a farmers and fishermen's association may only set up a credit department when there is no banking enterprise to provide financial services in the area where the farmers' and fishermen's association is located apart from the Directorate General of Postal Remittances and Savings Bank.

(2) Approval of establishment of a credit department by the Niasung Township Farmers' Association

The Niasung Township Farmers' Association in Kaohsiung County passed examination by the COA and was approved to set up credit department on April 6, 2004. The credit department formally began operation on June 28, 2004. As of the end of 2004, the credit department had total deposits and loans of NT\$736 million and NT\$188 million respectively (63 regular loan accounts totaled NT\$175 million, 35 agricultural project loan accounts totaled NT\$13 million), had a net worth of NT\$73 million, and had a profit for 2004 of NT\$1 million.

(3) Guidance and supervision of the re-establishment of credit departments

The Bureau will draft examination standards for the overall finances, operating status, business plan, and management team of farmers' and fishermen's associations that have assigned their credit departments to banks and wish to reapply to establish a credit department. The association's profit, net worth, credit rating, local distribution of financial institutions, and statutory responsible person qualifications must be carefully checked, application must be examined carefully and strictly. After approval, the Bureau shall continue to guide and strictly supervise the credit department in accordance with law.

(2) Establishment of an agricultural finance guidance system

(a) Cultivation of superior agricultural finance talent

More than 11,000 personnel were working at the 1,144 business offices of existing farmers' and fishermen's association credit departments as of the end of 2004. In addition to strengthening liaison and coordination with municipal, county and city governments and formulation of measures to keep credit department operations on a sound footing, the Bureau also coordinates with training institutions to hold professional trainings classes for agricultural finance personnel and classes for agricultural finance supervisory personnel. A total of 2,971 persons attended 48 agricultural finance education classes during 2004.

(i) Professional financial training for credit department personnel

A total of 17 professional financial training classes were provided for 1,190 participants in 2004. A total of 620 persons attended six training classes on financial internal controls of farmers' and fishermen's association credit department and agricultural finance laws during the year.

(ii) Guidance and supervision training for local government personnel

A total of 100 persons participated in three workshops on financial and legal matters for municipal, county, and city government credit department guidance personnel.

(iii) Agricultural finance team development training

The Bureau conducted agricultural finance team development training courses in 2004. These courses included role-playing and experiential learning. A total of 218 persons attended six training classes during the year.

(iv) Agricultural project loan training

A total of 511 government and farmers' and fishermen's association personnel attended ten training classes on agricultural project loan program finances and policy-oriented agricultural project loan programs during 2004.

(v) Agricultural financial law seed instructor training program

Thirty-two persons attended two agricultural finance law seed instructor training classes during 2004.

(vi) Touring lectures on current and future agriculture finance

Four touring lectures were conducted in northern, central, southern, and eastern Taiwan explain the government's agricultural finance policy, and share new ideals from industry and academia. Approximately 300 persons

participated in these lectures.

(b) Establishment of an agricultural finance information community website

(i) Establishment of knowledge e-management Internet website and portal site

The Bureau held an inaugural ceremony for its Internet website at the COA on December 20, 2004. This website (<http://www.boaf.gov.tw>) provides farmers, fishermen, and farmers' and fishermen's organizations various types of agricultural finance information. The website contains information on the Bureau's services, the latest agricultural finance news, agricultural finance laws and regulations, policy-oriented agricultural project loans, farmers' and fishermen's association credit department services, major credit department operating indicators, consumer information, agricultural financial service Q&A, and agricultural finance policy news.

The Bureau has integrated various information systems and established an internal network and knowledge management portal site. This site includes an archival retrieval system, a public document query service, a public document exchange service, and a class 3 public document bulletin.

(ii) Online reporting of farmers' and fishermen's association credit department financial and operating statistics

The Bureau has established an online system for collecting agricultural finance statistics and data, which can then be used to guide supervision and management of agricultural finance. Data on the items of operating accounts of farmers and fishermen's association credit departments, statutory ratio, average interest rate, assets quality, and capital adequacy ratio are gathered and compiled monthly. The website is <https://ebankweb.boaf.gov.tw>.

The Bureau also handles various other official agricultural finance statistics, including borrowing and lending balances of the Agricultural Development Fund and Agricultural Natural Disaster Relief Fund, operating indicators of farmers' association credit departments, operating indicators of fishermen's association credit departments, and service statistics of the Agricultural Credit Guaranteed Fund. These statistics will also be included in the foregoing Internet reporting system in the future.

(c) Promotion of international agricultural finance cooperation and interchange

The Bureau has adopted the following measures in order to strengthen interchange with the agricultural finance authorities of other countries and absorb foreign knowledge for reputation purposes:

(i) The Bureau sent personnel to Japan's Norinchukin Bank to study the Japanese agricultural financial system. The knowledge gained from this visit has been

used to carry out agricultural finance supervision and guidance following the implementation of Agricultural Finance Law and to assist the establishment of the Agricultural Bank of Taiwan.

- (ii) The Bureau sent personnel to participate in the international conferences of Asia Pacific Economic Cooperation (APEC) and Asian Productivity Organization (APO), at which they presented the agricultural finance situation in Taiwan.
- (iii) The Bureau invited Mr. Tanaka Hisayoshi, director of Japan's Norinchukin Research Institute, and Mr. Takashi Sasaki, director of the institute's planning and administration division, to visit Taiwan and participate in a forum on the agricultural financial management system. Mr. Tanaka and Mr. Takashi also shared their experiences concerning the establishment and development of Norinchukin Bank, their interaction with farmers' associations and agricultural credit associations, and the process of selling government-owned shares to the private sector with personnel of the Central Bank, CDIC, FSC, Preparatory Committee of the Agricultural Bank of Taiwan, farmers' and fishermen's associations, and the Bureau.

(3) Strengthening of policy-oriented agricultural project loan implementation

The Bureau has adopted the following measures to promote the implementation of policy-oriented agricultural project loans ("agricultural project loans") and to improve farmers' welfare and agricultural development:

(a) Easing restrictions and simplification of procedures

- (i) Reducing interest rates for agricultural project loans

Loan interest rates were adjusted starting from February 1, 2004. Annual interest rates of 2.5% and 2% were lowered to 2% and 1.5% respectively.

**Table 3. Agricultural Project Loan Interest Rate Adjustments,
2002-2004**

Adjustment Date	Original annual interest rate	Interest rate after adjustment
2002.8.1	5.25%	4.50%
	4.25%	3.50%
2003.2.1	4.50%	2.50%
	3.50%	2.00%
	3.00%	1.50%
2004.2.1	2.50%	2.00%
	2.00%	1.50%

Table 4. Agricultural Project Loan Interest Rates at the end of 2004

Annual interest rate	Item
1.5%	<ol style="list-style-type: none"> 1. Loans for funding farmers' (fishermen's) association enterprises 2. Loans for control of animal husbandry pollution 3. Low-interest loans for agricultural natural disaster victims 4. Livestock industry stimulus loans
2%	<ol style="list-style-type: none"> 1. Agricultural machinery loans 2. Loans helping farmers to purchase farmland and expand scale of operations 3. Assistance loans for joint commissioned cooperative operations 4. Start-up and agricultural management improvement loans for young farmers 5. Fish farmer production assistance loans 6. Dairy farm operation improvement loans 7. Pig farm operation upgrading loans 8. Farm competitiveness improvement loans 9. Recreational fishing boat construction loans 10. Cage aquaculture feed purchase revolving funds loans 11. Loans for the replacement of old mackerel purse seine vessels 12. Revolving fund loans for recreational fishing operation 13. Preferential loans for enterprises in the Taiwan Orchid Plantation 14. Revolving fund loans for fishery operations 15. Revolving fund loans for purchase fry for eel aquaculture 16. Relief loans for the abalone aquaculture industry 17. Loans for improvement of slaughterhouse sanitation and safety standards (1) ~ (6) 18. Loan for agricultural biotechnology seed and seedling enterprises 19. Loans for upgrading of frozen meat enterprises and improvement of slaughterhouses 20. Loans for improvement of duck processors' operating environment 21. Financing program for joint procurement of imported bulk hog feed 22. Revolving fund loans for far sea squid jigging operations 23. Assistance loans for recreational farms operations 24. Loans for improvement of tea plantation management, facilities and tea factory equipment 25. Assistance loans for export of agricultural products 26. Farm business improvement loans for middle-age farmers 27. Loans for agricultural production and marketing groups 28. Consolidated loans for farmers 29. Farmer and fishermen retraining assistance loans 30. Assistance loans for bamboo craftsmanship
2.2%	Farmhouse repair and construction assistance loans
3.5%	Financial improvement loans

(ii) Revision of agricultural project loan regulations

In order to broaden the range of loan recipients, raise loan limits, extend loan terms, and add more loan uses and lending institutions, revisions were made to the following 14 loan programs:

Agricultural machinery loans, farmhouse repair and construction assistance loans, assistance loans for joint commissioned cooperative operations, dairy farm operation improvement loans, pig farm operation upgrading loans, loans for funding farmers' (fishermen's) association enterprises, preferential loans for enterprises in the Taiwan Orchid Plantation, loans for control of animal husbandry pollution, Regulations Governing Farmland Purchase Loans for Farmers, Agricultural Production and Marketing Group Loan Regulations, financial improvement loans, consolidated loans for farmers, farm business improvement loans for middle-age farmers, and assistance loans for export of agricultural products.

(b) Addition of new loan programs

Six new agricultural project loan programs were introduced during August and September 2004. With regard to interest rates, except for the 3.5% interest rate for financial improvement loans is 3.5%, other loan programs uniformly have a 2% annual interest rate. The total loan amount for these six programs is NT\$28.37 billion. The six new loan programs are as follows:

Farm business improvement loans for middle-age farmers, loans for agricultural production and marketing groups, loans for improvement of tea plantation management, facilities and tea factory equipment, assistance loans for export of agricultural products, financial improvement loans, and consolidated loans for farmers.

(c) Substantial increase in total amount of agricultural project loans

- (i) The total amount of agricultural project loans in 2004 was originally NT\$9.65 billion (excluding loans from the Sino-American Fund for Economic and Social Development). Of this, NT\$5 billion was allocated for low-interest agricultural natural disaster loans and NT\$4.65 billion was allocated for Agricultural Development Fund loans.
- (ii) After increase, the amount of Agricultural Development Fund loans was raised to NT\$38.37 billion. (The amount for existing loan programs was originally NT\$4.65 billion and increased to NT\$10 billion. The amount for foregoing six new loan programs was NT\$28.37 billion)

(d) Enhancing awareness and financing assistance

(i) Awareness

- (1) Printed posters and leaflets were sent to farmers' associations, fishermen's associations, and relevant banks for posting and forwarding to production and marketing groups and farming subcommittees for propagation.
- (2) Twelve advertisements were published in agricultural magazines and newspapers, such as *Good Harvest* and *Farmers Friends*.
- (3) A short awareness film was produced and broadcast more than 700 times on cable TV, wireless TV, and broadcasting stations. Cable television programs have also broadcast five special reports on the topic.
- (4) Subsidies were provided to eight county and city governments, including Yilan, Miaoli, Nantou, for the holding of meetings to explain agricultural project loan programs to farmers' and fishermen's association and production and marketing group personnel.
- (5) Production and marketing group staff forums and experiment achievement and technology sharing forums were held at the COA's agricultural experiment and improvement stations. Four sessions of reports on agricultural project loan programs were held.
- (6) Twelve press releases on agricultural project loan programs were made to provide the latest information on agricultural loans.

(ii) Financing assistance

- (1) Subsidies were provided to the Farmers Bank of China for the implementation of agricultural project loan financing assistance. This assistance helped farmers' associations, fishermen's associations, banks, cooperatives, cooperative farms, farmers, and fishermen to resolve problems concerning agricultural loan applications, borrowing and lending, revocation, guarantees, verification, renewal, accounts and reporting, and interest subsidies. A total of 2,300 persons received assistance.
- (2) The Bureau of Agricultural Finance assessed the implementation of agricultural project loan programs by farmers' and fishermen's associations, and held an awards ceremony in December 2004. The following units won awards on the basis of their outstanding performance:
 - A. Urban farmers' associations
 - First place— Penghu County Farmers' Association
 - Second place— Jian Township Farmers' Association, Hualien County
 - Third place – Taibao City Farmers' Association, Chiayi County

Excellent – Taitung Area Farmers' Association

B. Rural farmers' associations

First place– Luyeh Area Farmers' Association, Taitung County

Second place– Hsinyi Township Farmers' Association, Nantou County; Hsinkang Township Farmers' Association, Chiayi County; Erhlun Township Farmers' Association, Yunlin County

Third place – Dabi Township Farmers' Association, Yunlin County

Fourth place– Hengchun Township Farmers' Association Pingtung County; Fuli Township Farmers' Association, Hualien County

Fifth place- Houli Township Farmers' Association, Taichung County

Sixth place– Fangshan Area Farmers' Association Pingtung County; Eshoo Township Farmers' Association, Changhua County

Excellent – Yushan Area Farmers' Association, Hualien County; Nanchou Township Farmers' Association, Pingtung County; Puli Township Farmers' Association, Nantou County; Emei Township Farmers' Association, Hsinchu County; Tungshan Township Farmers' Association, Taichung County; Hsinhua Township Farmers' Association, Taoyuan County; Chungpu Township Farmers' Association; Lunbei Township Farmers' Association, Yunlin County; Lutsao Township Farmers' Association, Chiayi County; Mingchien Township Farmers' Association, Nantou County; and Liuchiao Township Farmers' Association

C. Fishermen's associations

First place– Suao Fishermen's Association, Chiayi Fishermen's Association

Second place– Penghu Fishermen's Association

Third place – Tainan County Fishermen's Association.

(4) Preparing for the establishment of the Agricultural Bank of Taiwan

(a) Establishment and funding

Based on the philosophy of cooperation, all levels of farmers' and fishermen's associations are working together to establish the Agricultural Bank of Taiwan in order to build a sound and comprehensive agricultural finance system. The Bank shall be organized as an incorporated company with initial capital of NT\$20 billion. The government and farmers' and fishermen's associations at all levels are to be the founders of the Bank. The government holds a 49% stake in the Bank, which is equivalent to NT\$9.8 billion. The remaining NT\$10.2 billion shall be paid by farmers' and fishermen's associations at all levels.

(b) Business items

The Agricultural Bank of Taiwan shall have the following business items:

- (i) Financing of major agricultural development projects.
- (ii) Financing of government agricultural projects.
- (iii) Financing of agriculture, forestry, fisheries, and livestock operations in line with agricultural and fisheries policies.
- (iv) Commercial bank business operations as stipulated in Article 71 of the Banking Law.
- (v) Other services jointly approved by the COA, the competent authority of the Banking Law, and other relevant agencies.
- (vi) Foreign exchange business may be handled with the permission from the Central Bank.

(c) Matters to be done with respect to the credit departments of farmers' and fishermen's associations

The Agricultural Bank of Taiwan shall accept deposits from credit departments of farmers' and fishermen's associations that were previously deposited at other banks previously, provide capital finance and guidance, and conduct business and financial audits, financial assessment and performance evaluation, and information sharing. In addition, the credit departments shall discuss with the Bank in loan cases above a certain amount. Furthermore, the Bank must set aside 40 percent of its profit as a statutory reserve; if there remains a balance, then 10 percent of the balance must be set aside for a mutual support fund used to support poorly-run

farmers' and fishermen's association credit departments. The Agricultural Bank of Taiwan may also commission farmers' and fishermen's association credit departments to conduct relevant services in accordance with law.

(d) Preparation progress

- (i) The Agricultural Bank of Taiwan set up a preparatory office on July 16, 2004 and held a first preparatory meeting. Six preparatory meetings and two founders meetings have been convened as of the end of 2004. Apart from the government, the nation's 332 farmers' and fishermen's associations are also the founders of the Bank.
- (ii) Total capital NT\$20 billion was fully paid in during 2004. The bank's constitution and organizational structure were determined, and the information system architecture and headquarters location were decided.

C. Agricultural Finance Overview

(1) Overview of current operations of farmers' and fishermen's association credit departments

There were 254 farmers' association credit departments and 25 fishermen's association credit departments as of the end of 2004, for a total of 279 credit departments. The farmers' association credit departments and fishermen's association credit departments have 826 and 39 branches respectively. There are a total of 1,144 farmers' and fishermen's association credit department business offices. All farmers' and fishermen's association credit departments have total assets of NT\$1.5241 trillion, total liabilities of NT\$1,447.1 billion, and net worth of NT\$77.1 billion. Total deposits and loans at all credit departments are NT\$1,332.1 billion and 558.7 billion respectively. Non-performing loans total NT\$80.8 billion, and the non-performing loan ratio is 14.46%. The profit for 2004 was NT\$2.1 billion. Business and financial indicators changed as follows in 2004:

(a) Scale of operations

Deposits and loans respectively increased by NT\$56.3 billion and fell by NT\$8 billion compared with before the establishment of the Bureau.

(b) Profits

Total net worth and profit respectively increased by NT\$1.3 billion and NT\$2.2 billion compared with before the establishment of the Bureau.

(c) Loan quality and risk-bearing capacity

Total non-performing loans, the non-performing loan ratio, and the coverage rate (ratio of allowance for bad debt to non-performing loans) respectively fell by NT\$18.7 billion, fell by 3.11%, and increased by 2.39% compared with before the establishment of the Bureau.

The COA held an agricultural loan service performance and non-performing loan reduction competition in order to reward agricultural financial institutions that have endeavored to improve their operating results. The awards ceremony was held on December 3, 2004. The "Outstanding Operating Performance Award," "Non-performing Loan Ratio Reduction Award," and "Agricultural Loan Service Performance Award" were presented at this event, and a total of 101 institutions received awards (see Tables 5, 6 and 7). This was the first agricultural finance competition and award activity held by the COA since the implementation of the Agricultural Finance Law, and served to encourage farmers' and fishermen's associations to increase their agriculture financial competitiveness.

Table 5. Farmers' and Fishermen's Association Credit Department Agricultural Loan Service Performance and Non-performing Loan Reduction Competition–List of "Outstanding Operating Performance Award" Winners

Name	Non-performing loan ratio	Name	Non-performing loan ratio
Ping-lin Township Farmers' Association, Taipei County	0.18%	Lujou City Farmers' Association, Taipei County	0.24%
Taya Township Farmers' Association, Taichung County	0.35%	Yuan-shan Township Farmers' Association, Yilan County	0.35%
Gueisan Township Farmers' Association, Taoyuan County	0.40%	Liuqiu Township Farmers' Association, Pingtung County	0.40%
Wanli Area Fishermen's Association, Taipei County	0.52%	Dong-shan Township Farmers' Association, Yilan County	0.70%
Sunshin Area Farmers' Association, Yilan County	0.89%	Fuxing Township Farmers' Association, Taoyuan County	0.91%
Lian-jiang County Farmers' Association, Fujian Province	0.95%	Yingge Township Farmers' Association, Taipei County	1.07%
Liuqiu Area Fishermen's Association, Pingtung County	1.22%	Taoyuan Area Fishermen's Association, Taoyuan County	1.27%
Muzha Area Farmers' Association, Taipei City	1.27%	Shengkeng Township Farmers' Association, Taipei County	1.40%
Banciao City Farmers' Association, Taipei County	1.41%	Heng-shan Area Farmers' Association, Hsinchu County	1.43%
Luchu Township Farmers' Association, Taoyuan County	1.50%	Taiping City Farmers' Association, Taichung County	1.54%
Shulin City Farmers' Association, Taipei County	1.81%	Tachia Farmers' Association, Taichung County	1.82%
Tali Township Farmers' Association, Taichung County	1.87%	Taimali Area Farmers' Association, Taitung County	2.02%
Taishan Township Farmers' Association, Taipei County	2.06%	Wujie Township Farmers' Association, Yilan County	2.09%
Dayuan Township Farmers' Association, Taoyuan County	2.15%	Yilan City Farmers' Association, Yilan County	2.20%
Hsinchu City Farmers' Association	2.27%	Feng-rong Area Farmers' Association, Hualien County	2.30%
Jiaushi Township Farmers' Association, Yilan County	2.31%	Erlun Township Farmers' Association, Yunlin County	2.34%
Lotong Township Farmers' Association, Yilan County	2.46%	Kuanhsi Township Farmers' Association, Hsinchu County	2.61%
Anding Township Farmers' Association, Tainan County	2.68%	Jian Township Farmers' Association, Hualien County	2.71%
Zhuang-wei Township Farmers' Association, Yilan County	2.78%	Tucheng Farmers' Association, Taipei County	2.79%
Sanchung City Farmers' Association, Taipei County	2.86%	Hsiaokang Area Fishermen's Association, Kaohsiung City	2.88%
Hsin-chuang Farmers' Association, Taipei County	2.90%	Shindian Farmers' Association, Taipei County	2.94%

Note: The non-performing loan ratios of the credit departments of the above farmers' and fishermen's associations were below 3% at the end of September 2004.

Table 6. Farmers' and Fishermen's Association Credit Department Agricultural Loan Service Performance and Non-performing Loan Reduction Competition–List of "Non-performing Loan Ratio Reduction Award" Winners

Name	Non-performing loan reduction (amount)		Non-performing loan reduction (%)	
	Reduction	Rank	Reduction	Rank
Tali Township Farmers' Association, Taichung County	64.83%	4	73.83%	9
Taya Township Farmers' Association, Taichung County	95.88%	13	96.18%	1
Shulin City Farmers' Association, Taipei County	65.88%	8	69.14%	12
Lotong Township Farmers' Association, Yilan County	70.51%	18	70.97%	11
Banciao City Farmers' Association, Taipei County	50.15%	9	59.36%	27
Yilan City Farmers' Association, Yilan County	77.91%	33	77.74%	6
Junghe Farmers' Association, Taipei County	53.67%	5	50.35%	36
Sanchung Farmers' Association, Taipei County	64.61%	23	67.06%	19
Wugu Township Farmers' Association, Taipei County	65.10%	12	57.95%	30
Taichung City Farmers' Association	39.21%	2	45.90%	43
Dong-shan Township Farmers' Association, Yilan County	84.93%	43	86.50%	3
Erlun Township Farmers' Association, Yunlin County	75.49%	39	73.13%	10
Wujie Township Farmers' Association, Yilan County	73.87%	42	74.73%	8
Tzukuan Township Farmers' Association, Kaohsiung County	47.46%	25	48.24%	39
Taiping City Farmers' Association, Taichung County	63.64%	46	66.05%	20
Wujih Township Farmers' Association, Taichung County	42.82%	7	38.55%	60
Beitou Area Farmers' Association, Taipei City	35.42%	14	41.39%	54
Shilin Area Farmers' Association, Taipei City	50.92%	22	42.12%	52
Zhuang-wei Township Farmers' Association, Yilan County	71.86%	60	67.72%	16
Yingge Township Farmers' Association, Taipei County	69.47%	64	68.22%	15
Taishan Township Farmers' Association, Taipei County	60.67%	67	63.07%	23
Lujou City Farmers' Association, Taipei County	83.32%	88	86.97%	2

Name	Non-performing loan reduction (amount)		Non-performing loan reduction (%)	
	Reduction	Rank	Reduction	Rank
Danshui Township Farmers' Association, Taipei County	25.22%	27	28.05%	81
Jian Township Farmers' Association, Hualien County	62.48%	85	60.01%	25
Gueisan Township Farmers' Association, Taipei County	74.12%	105	77.84%	5
Jiaushi Township Farmers' Association, Yilan County	63.39%	87	61.60%	24
Wufeng Township Farmers' Association, Taichung County	27.09%	19	24.62%	93
Kaohsiung City Farmers' Association	27.68%	1	19.09%	123
Feng-rong Area Farmers' Association, Hualien County	67.52%	111	67.49%	17
Sunshin Area Farmers' Association, Yilan County	75.31%	122	75.71%	7
Tsaotun Township Farmers' Association, Nantou County	26.43%	20	21.75%	109
Tung-shin Township Farmers' Association, Taichung County	28.22%	11	18.89%	124
Yuan-shan Township Farmers' Association, Yilan County	62.49%	184	68.33%	14
Lian-jiang County Farmers' Association	86.61%	229	85.65%	4
Heng-shan Area Farmers' Association, Hsinchu County	71.74%	223	68.36%	13
Pingshi Township Farmers' Association, Taipei County	62.64%	231	67.09%	18
Taoyuan Area Fishermen's Association	64.26%	237	63.64%	22
Liuqiu Township Farmers' Association, Pingtung County	66.31%	245	64.90%	21

Note 1: The non-performing loan ratios of farmers' and fishermen's association credit departments in September 2003 and September 2004 were used as the basis for determining the winners of the "Non-performing Loan Ratio Reduction Award." Credit departments were also required to have one of the following qualifications in order to receive the award: (1) non-performing loan reduction not less than 60%; (2) after a list of the top 30 credit departments in terms of reduction of non-performing loan amount was compiled, those credit departments with a non-performing loan ratio greater than 15% were excluded, as were those that had already received the "Outstanding Operating Performance Award." A total of 38 departments met the qualifications and received this award.

Note 2: Reduction of non-performing loan amount was calculated as (non-performing loan amount at end of September 2003 - non-performing loan amount at end of September 2004) ÷ non-performing loan amount at end of September 2003. Reduction of non-performing loan ratio reduction was calculated as (non-performing loan ratio at end of September 2003 - non-performing loan ratio at end of September 2004) ÷ non-performing loan ratio at end of September 2003. Rank is relative to all farmers' and fishermen's association credit departments.

Note 3: The profit list is arranged in order of the average of the credit department's non-performing loan amount reduction rank and non-performing loan ratio reduction rank.

Table 7. Farmers' and Fishermen's Association Credit Department Agricultural Loan Service Performance and Non-performing Loan Reduction Competition–List of “Agricultural Loan Service Performance Award” Winners

Name	Ratio of agricultural project loans to total loans (%)
Liuqiu Area Fishermen's Association, Pintung County	37.42%
Suao Area Fishermen's Association, Yilan County	30.45%
Liuqiu Township Farmers' Association, Pintung County	24.70%
Fuli Township Farmers' Association, Hualien County	23.51%
Penghu Area Fishermen's Association, Penghu County	21.02%
Tuku Township Farmers' Association, Yunlin County	19.84%
Luyeah Area Farmers' Association, Taitung County	19.59%
Dongkang Area Fishermen's Association, Pingtung County	18.12%
Guan-shan Township Farmers' Association, Taitung County	15.65%
Hsinchu Area Fishermen's Association, Hsinchu City	15.56%
Bao-zhong Township Farmers' Association, Yunlin County	14.72%
Ruisui Township Farmers' Association, Hualien County	13.83%
Hsin-I Township Farmers' Association, Nantou County	12.04%
Nan-zhuang Township Farmers' Association, Miaoli County	11.73%
Wanli Area Fishermen's Association, Taipei County	11.20%
Emei Township Farmers' Association, Hsinchu County	11.15%
Dabi Township Farmers' Association, Yunlin County	10.95%
Lunbei Township Farmers' Association, Yunlin County	10.50%
Penghu County Farmers' Association	10.41%
Singang Township Farmers' Association, Chiayi County	10.36%
Zhuolan Township Farmers' Association, Miaoli County	10.13%

Note: The foregoing farmers' and fishermen's association credit departments had agricultural project loans exceeding 10% of their total loan amount and also a non-performing loan ratio below 15% at the end of September 2004.

(d) Business statistics

Table 8. Business Statistics for Farmers' and Fishermen's Association Credit Departments, December 2004

Unit : Number/NT\$ million

	Farmers' Association Credit Departments	Fishermen's Association Credit Departments	Total
Number of head offices	254	25	279
Number of branches	826	39	865
Deposits	1,298,496	33,555	1,332,051
Loans	545,664	13,082	558,746
Ratio of deposits to loans	39.31%	36.88%	—
Net value	75,972	1,080	77,052
Net profit before tax	2,116	22	2,138
Non-performing loan amount	78,891	1,931	80,822
Non-performing loan ratio	14.46%	14.76%	14.46%
Allowance for uncollectible accounts	18,930	616	19,546
Internal financing	5,377	55	5,432
Ratio of allowance for uncollectible accounts to total loans	3.47%	4.71%	3.50%
Coverage ratio	24.00%	31.90%	24.18%

Table 9. Monthly Business Statistics for Farmers' and Fishermen's Association Credit Departments, January-December 2004

Unit : NT\$ million

	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004
Assets	1,438,233	1,490,121	1,483,504	1,491,714	1,488,334	1,500,637	1,514,764	1,506,487	1,506,326	1,510,859	1,510,558	1,524,141
Liabilities	1,362,009	1,413,569	1,406,501	1,414,309	1,410,513	1,422,629	1,436,530	1,427,794	1,427,035	1,431,094	1,430,497	1,447,089
Deposits	1,285,875	1,294,442	1,290,513	1,298,277	1,293,371	1,303,028	1,314,737	1,310,873	1,312,236	1,315,396	1,317,271	1,332,051
Loans	562,013	560,198	558,364	561,204	561,104	560,956	560,913	555,797	554,241	552,291	553,326	558,746
Net value	76,224	76,552	77,003	77,405	77,821	78,008	78,234	78,693	79,291	79,765	80,060	77,052
Net profit before tax	710	1,311	2,278	2,715	3,129	3,317	3,458	3,906	4,501	4,935	5,240	2,138
Non-performing loan amount	99,539	98,641	96,838	94,977	93,530	91,979	90,302	88,342	87,174	85,587	83,808	80,822
Non-performing loan ratio	17.71%	17.61%	17.34%	16.92%	16.67%	16.40%	16.10%	15.89%	15.73%	15.50%	15.15%	14.46%
Allowance for uncollectible accounts	19,663	19,682	19,563	19,559	19,464	19,420	19,240	19,336	19,056	18,472	18,559	19,546
Internal Financing	4,693	4,636	4,456	4,387	4,398	4,592	4,747	4,764	5,056	4,950	5,259	5,432
Return on Assets	0.05%	0.09%	0.15%	0.18%	0.21%	0.22%	0.23%	0.26%	0.30%	0.33%	0.35%	0.14%
Ratio of allowance for uncollectible accounts to total loans	3.50%	3.51%	3.50%	3.49%	3.47%	3.46%	3.43%	3.48%	3.44%	3.34%	3.35%	3.50%
Coverage ratio	19.75%	19.95%	20.20%	20.59%	20.81%	21.11%	21.31%	21.89%	21.86%	21.58%	22.14%	24.13%

Table 10. Yearly Business Statistics for Farmers' and Fishermen's Association Credit Departments, 1996-2004

Unit : NT\$ million

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Assets	1,479,730	1,487,365	1,535,446	1,603,402	1,580,568	1,474,309	1,449,388	1,488,312	1,524,141
Liabilities	1,414,762	1,416,862	1,461,607	1,529,354	1,508,740	1,394,003	1,373,233	1,412,561	1,447,089
Deposits	1,275,288	1,303,026	1,349,004	1,416,619	1,392,360	1,304,981	1,246,887	1,275,798	1,332,051
Loans	861,919	841,827	822,010	795,455	772,067	679,453	608,982	566,731	558,746
Net value	64,968	70,503	73,839	74,048	71,828	80,306	76,155	75,751	77,052
Net profit before tax	10,913	9,204	6,897	3,723	885	156	-1,712	-17	2,138
Non-performing loan amount	73,412	90,910	108,069	128,687	138,189	131,360	113,380	99,548	80,822
Non-performing loan ratio	8.52%	10.80%	13.15%	16.18%	17.90%	19.33%	18.62%	17.57%	14.46%
Allowance for uncollectible accounts	19,837	22,101	24,382	27,724	29,186	24,282	18,395	19,861	19,546
Internal financing	-	5,190	5,131	5,945	6,286	5,991	5,192	4,726	5,432
Return on assets	0.74%	0.62%	0.45%	0.23%	0.06%	0.01%	-0.13%	0.00%	0.14%
Ratio of allowance for uncollectible accounts to total loans	2.30%	2.63%	2.97%	3.49%	3.78%	3.57%	3.02%	3.50%	3.50%
Coverage ratio	27.02%	24.31%	22.56%	21.54%	21.12%	18.49%	16.22%	19.95%	24.13%

Table 11. Financial Statistics for Farmers' and Fishermen's Association Credit Departments in each Non-performing Loan Ratio Increment (end of 2004)

Unit : Number/NT\$ million

Non-performing loan ratio interval	Number	Deposits	Loans	Net Worth	Net profit before tax	Non-performing loan amount	Non-performing loan ratio	Allowance for uncollectible accounts/ non-performing loan amount	Internal financing
Non-performing loan ratio < 10%	132	679,488	284,743	45,654	2,277	10,255	3.60%	66.16%	2,461
10% ≤ Non-performing loan ratio < 15%	40	209,029	89,577	12,429	300	11,011	12.29%	21.39%	904
15% ≤ Non-performing loan ratio < 25%	41	187,241	77,843	8,882	-30	16,646	21.38%	19.21%	848
Non-performing loan ratio ≥ 25%	66	256,294	106,583	10,087	-409	42,909	40.26%	16.80%	1,219
Total	279	1,332,051	558,747	77,052	2,138	80,822	14.46%	24.18%	5,432

Table 12. Analysis of Risk-Bearing Capacity of Farmers' and Fishermen's Association Credit Departments (end of 2004)

	(Net value + allowance for uncollectible accounts) /Non-performing loan amount				Total
	Below 70%	70% - 100%	100% - 200%	Above 200%	
Non-performing loan ratio < 10%	0	1	14	117	132
10% ≤ Non-performing loan ratio < 15%	3	6	26	5	40
15% ≤ Non-performing loan ratio < 25%	16	14	11	0	41
Non-performing loan ratio ≥ 25%	53	11	2	0	66
Total	72	32	53	122	279

Note: CPA audit reveals that the average non-performing loan ratio was 68% among the 36 primary-level financial institutions handled by the Financial Restructuring Fund. As a consequence, if only losses from non-performing loans is taken into consideration, and losses from assets other than non-performing loan ignored, then the ratio of [(net value + allowance for uncollectible accounts) ÷ non-performing loan amount] must be at least 68%, and the sum of net value and allowance for uncollectible accounts must be adequate to cover the loss on disposal of non-performing loan.

(2) Agricultural project loan program implementation

(a) Agricultural Development Fund loan implementation

(i) Loan implementation from 2001 to 2003

A total of NT\$25.6 billion was budgeted for loans, and actual loans totaled NT\$9.029 billion, from 2001 to 2003.

Table 13. Agricultural Development Fund Loan Implementation, 2001-2003

Unit: NT\$ million

Year	Budgeted loan amount	Actual loan amount	Loan rate (%)
2001	14,500.00	3,220.74	22.21
2002	6,150.00	2,003.29	32.57
2003	4,950.00	3,805.58	76.88
Total	25,600.00	9,029.61	35.27

(ii) Loan implementation in 2004

The annual budget for loan programs was NT\$38.369 billion and the actual loans totaled NT\$16.577 billion.

Table 14. Agricultural Development Fund Loan Implementation, 2004

Unit: NT\$ million

Item	Budgeted loan amount	Actual loan amount	Loan rate (%)
Agricultural machinery loans	1,500.00	1189.66	79.31
Loans for purchase of farmland	500.00	447.95	89.59
Farmhouse repair and construction loans	950.00	508.06	53.48
Rural development acceleration loans	35,419.00	14,431.97	40.75
Total	38,369.00	16,577.64	43.21

(iii) Cumulative lending

The Agricultural Development Fund provided a cumulative total of NT\$147.644 billion in loans from the time it was founded 1973 until the end of 2004; a cumulative total of more than 343,000 farming households has benefited from these loans. As of the end of 2004, the loan balance was NT\$28.558 billion and over 35,000 farming households held active loans.

Table 15. Agricultural Development Fund Loan Programs at the end of 2004

Item	Cumulative loan amount (NT\$ million/households)				Loan Balance (NT\$ million/household)			
	Total	Sources of capital			Borrowing households	Sources of Capital		
	Borrowing households	Fund	Responsible Organization	Total		Fund	Responsible Organization	Total
1. Agricultural machinery loans	183,341	13,397	34,603	48,000	5,765		3,572	3,572
[1] Agricultural machinery	183,133	13,397	33,665	47,062	5,647		3,352	3,352
[2] Automation	208		908	938	118		220	220
2. Loans for purchase of farmland	16,738	13,070	2,083	15,153	3,230	1,680	1,001	2,681
3. Farmhouse repair and construction loans	7,933	2,824	1,505	4,329	2,098		770	770
4. Rural development acceleration loans	135,585	8,974	71,188	80,162	24,598	21	21,514	21,535
[1] Crops	15,772			12,794	5,456		9,235	9,235
[2] Animal husbandry	13,153			8,177	400		503	503
[3] Fisheries	25,114			7,846	1,402	21	1,712	1,733
[4] Infrastructure	231			180				
[5] Hillsides	15,554			3,564	1,129		638	638
[6] Transportation and marketing of agricultural products	413			3,457	55		1,211	1,211
[7] General assistance	41,527			28,778	12,105		6,156	6,156
[8] Disaster relief	23,821			15,366	4,051		2,059	2,059
Total	343,597	38,265	109,379	147,644	35,691	1,701	26,857	28,558

Table 16. Agricultural Development Fund Loan Balances for Each Responsible Organization as of the end of 2004

Unit: NT\$ million

	Agricultural machinery loans		Loans for purchase of farmland		Farmhouse repair and construction loans		Rural development acceleration loans		Total	
	Number of households	Amount	Number of households	Amount	Number of households	Amount	Number of households	Amount	Number of households	Amount
Farmers Bank	84	133	1,074	325	9	1	792	1,054	1,959	1,513
Taiwan Cooperative Bank	2,065	945	15	28			695	1,525	2,775	2,498
Land Bank	954	553	521	533	16	2	1,469	1,212	2,960	2,300
Bank of Taiwan							4	5	4	5
Farmers' and fishermen's association credit departments	2,662	1,941	1,620	1,795	2,073	767	21,638	17,739	27,993	22,242
Total	5,765	3,572	3,230	2,681	2,098	770	24,598	21,535	35,691	28,558

(b) Implementation of low-interest loans for agricultural natural disasters

The 2004 budget for low-interest loans for agricultural natural disasters was NT\$5 billion and the actual loans totaled NT\$917 million. These loans are used to help disaster-stricken farmers and fishermen to resume operation. Low-interest loans for agricultural natural disasters were implemented as follows in 2004:

- (i) Chilling injury: Fruit growers in Miaoli County suffering gaojie pear damage were declared eligible for low-interest loans on March 8.
- (ii) Typhoon Mindulle and the July 2nd flood: Hualien County, Nantou County, Taichung County, Changhua County, Yunlin County, Chiayi County, Kaohsiung County, Taitung County, Tainan County, and Miaoli County were declared eligible for low-interest disaster relief loans on July 3, 4, 6 and 7.
- (iii) Typhoon Aere: Taitung County and Hsinchu County were declared eligible for low-interest loans on August 27 and 31 respectively.
- (iv) Typhoon Nock-Ten: Yilan County was declared eligible for low-interest loans for disaster is applicable on October 27.
- (v) Typhoon Nanmadol: Tainan City and Pingtung County were declared eligible for low-interest loans on December 5.

(c) Implementation of Sino-American Fund for Economic and Social Development loans

- (i) The Sino-American Fund for Economic and Social Development had a loan budget of NT\$180 million in 2004, and actually disbursed NT\$100 million in loans. Unlike loans from the Agricultural Development Fund and Low Interest Loan Program for Agricultural Natural Disasters, which are funded by the responsible organizations and receive interest spread subsidies from the government, this loan program is funded and managed by Sino-American Fund for Economic and Social Development.
- (ii) The interest rate of loans from the Sino-American Fund for Economic and Social Development is based on the Agricultural Development Fund's loan interest rate. In line with the Agricultural Development Fund's interest rate adjustment of February 1, 2004, the interest rate of Sino-American Fund for Economic and Social Development loans was set at 2%, of which 1.975% is the service fee and allowance for uncollectible accounts of the responsible organization--Farmers Bank.

D. Key Future Administrative Tasks

(1) Helping the Agricultural Bank of Taiwan to start operations

The Agricultural Bank of Taiwan is founded on the idea of cooperation among farmers' and fishermen's associations. Thanks to support from the government and Taiwan-wide farmers' and fishermen's associations, the Bank's capital of NT\$20 billion has been fully paid in, and preparatory work is well underway. In order to promote the sustainability of farming and fishing, and provide ample funds meeting the needs of agricultural and fisheries development, the Bureau will assist in the establishment of the Bank, and supervise its statutory duties of assisting the development of farmers' and fishermen's association credit departments, accepting deposits from farmers' and fishermen's association credit departments that had previously been deposited in other banks, providing capital financing, implementing major agricultural development projects, and stabilizing the agricultural finance system. The Bank will also actively expand the operation of policy-oriented agricultural project loan programs in order to build a sound, cooperative agricultural finance system.

(2) Supervising Agricultural Bank of Taiwan's assistance work and determining guidelines for loans transferred to the Bank

The Agricultural Bank of Taiwan has the unique, public service-oriented mission of providing assistance services: The provision of assistance is one of the Bank's major objectives and statutory duties. As assistance services entail a wide range of aspects, the Bureau assist the Bank to draft a comprehensive assistance plan, with the ultimate intention of helping the Bank to offer different assistance methods and also adjust main assistance items depending on the business needs and status of each farmers' and fishermen's association credit department.

In addition, in order to improve the credit and loan operations of farmers' and fishermen's association credit departments and boost asset quality, after the opening of the Agricultural Bank of Taiwan, the Bureau will, in accordance with the Agricultural Finance Law, call together relevant units to determine regulations specifying, "Credit departments shall report loan cases above a certain amount to the Agricultural Bank of Taiwan for approval before extending loans; alternatively, such loans may be transferred to and handled by the Agricultural Bank of Taiwan."

(3) Establishing a model for the disposition of poorly-run credit departments

When the Ministry of Finance previously disposed of 36 poorly-run farmers' and fishermen's association credit departments in accordance with the "Financial

Institutions Merger Law,” ordering said associations to assign their credit departments to banks led to disputes concerning the apportionment of assets and the inadequate state of the agricultural finance service system. Following the implementation of “Agricultural Finance Law,” however, the merger of farmers’ and fishermen’s association has been used to dispose of poorly-run farmers’ and fishermen’s association credit departments. The horizontal integration of financial services within the agricultural has brought the goal of sustainable operation closer and better satisfies the needs of farmers and fishermen.

(4) Resolving the problem of the disputed farmers' and fishermen's association assets when credit departments assigned to banks

The “Guidelines for the Determination and Disposition of Disputed Farmers' and Fishermen's Association Assets after their Credit Departments are to Banks,” jointly announced by the COA and FSC, stipulates that such assets must be returned to the original farmers’ and fishermen’s associations without compensation when the assets are determined in accordance with broadened criteria to be the property of the farmers and fishermen’s associations acquired before the time of credit department establishment. In the future, the Bureau will help confirm details, amounts, procedures, and deadlines in cases when disputed assets are returned to farmers’ and fishermen’s associations. Furthermore, the Bureau will also actively raise funds needed in the return of disputed assets.

(5) Revising agricultural finance laws

The Bureau is working aggressively to complete the draft amendment to the Agricultural Finance Law. The Bureau plans to present the general explanations and comparative table of articles for the said draft amendment the Executive Yuan in April 2005 for examination and approval, after which it will be forwarded to the Legislative Yuan for discussion. The key points of the draft amendment include the addition of employment qualifications for credit department’s personnel and the provision that such personnel be examined and trained by professional training institutions; the addition of a provision permitting the central competent authority to order poorly-run credit departments to assign their operations to the Agricultural Bank of Taiwan or other farmers’ and fishermen’s associations that have credit departments; and a provision calling for the establishment of an agricultural assets management company to help credit departments clear up their non-performing loans.

(6) Planning an online agricultural financial reporting system

In order to promote the supervisory effectiveness of agricultural financial institutions, and improve the accuracy and timeliness of oversight data, the Bureau has developed an online agricultural financial reporting system website. This site allows agricultural financial institutions to report basic information and business data from farmers' and fishermen's associations, and generate simple reports and financial statements facilitating oversight of agricultural finance. This system is designed to encourage transparency and single window reporting of agricultural financial information. The system has been integrated with the Bureau's financial examination information, enabling oversight personnel to perform effective tracking and management of agricultural financial institutions' shortcomings.

(7) Shifting control of Agricultural Credit Guarantee Fund to the COA

In order to achieve the integrated implementation of agricultural finance policy, the Bureau has initiated its plan to shift control of the Agricultural Credit Guarantee Fund to COA. Prior to this shift, apart from appropriating budget funds to make up for the Fund's shortage and expanding its underwriting ability, the Bureau will also draft measures to curb the Fund's operating and management expenses, push the Fund to implement organizational reengineering, guide the development of agricultural credit guarantee services, and strengthen assistance to agricultural loan guarantee cases, so as to fulfill the Agricultural Credit Guarantee Fund's mission of supporting agricultural and fisheries development.

(8) Establishing an agricultural asset management company

Since farmers' and fishermen's association credit departments are much smaller than banks and have weaker risk-bearing ability, the Bureau has drafted feasible measures to help credit departments resolve their huge numbers of non-performing loans; this effort is intended to improve the asset quality of all farmers' and fishermen's association credit departments and promote the sound development of the agricultural finance system. Taking cost effectiveness, agricultural policy as a whole, and the effective utilization of the nation's farmland into consideration, the Bureau has drafted a plan to establish an agricultural assets management company able to effectively help farmers' and fishermen's association credit departments dispose of their non-performing loans and reduce their non-performing loan ratios, which will strengthen the overall financial structure of the agricultural finance system.

(9) Drafting measures in response to the termination of the Executive Yuan Financial Restructuring Fund

The Bureau will revise articles 36 and 37 of “Agricultural Finance Law” in conjunction with the termination of Executive Yuan’s Financial Restructuring Fund. These revisions will include the addition of a provision allowing the central competent authority to order poorly-run credit departments to assign their operations to the Agricultural Bank of Taiwan or other farmers’ and fishermen’s associations that have credit departments; this will enable more flexibility in the disposition of poorly-run farmers’ and fishermen’s association credit departments. In addition, after the Fund’s termination, the deposit insurance system will resume being a limited guarantee mechanism, and a plan for the systemic risk of possible run on deposits shall be drafted in advance. Acting from the standpoint of the competent authority, the COA will deliberate the draft drawn up by the FSC and quickly determine crisis management strategies.

(10) Strengthening financial oversight cooperation

The FSC is currently authorized to audit agricultural financial institutions in accordance with the “Agricultural Finance Law.” This Bureau handles audit results after the FSC has delivered them to the COA. The Bureau will continue to intensify liaison FSC in order to better integrate audit, handling, and deficiency tracking tasks. In addition, the Bureau will strive to join the Financial Supervisory Liaison Subcommittee in order to share financial supervision information and assist in the implementation of monetary policy.

Furthermore, the Bureau will boost its oversight performance by taking advantage of the financial supervisory information sharing mechanism established by the FSC Banking Bureau to jointly create a more convenient and secure integrated global financial supervision information sharing environment.

E. Appendix

(1) Major Events

January

The Bureau is officially established on January 30.

February

Interest rates of agricultural project loans are adjusted. Annual interest rates of 2.5% and 2% are lowered to 2% and 1.5% respectively.

March

The Bureau announces that gaojie pears of Miaoli Country suffer from chilling damage and growers are eligible for disaster low-interest loans.

April

1. Promulgation of the “Bureau of Agricultural Finance, COA, Executive Yuan Work Operation Enforcement Rules.”
2. Establish “Bureau of Agricultural Finance, COA, Executive Yuan Work Attendance Management Operating Procedures.”
3. Revision of regulations governing the following eight agricultural project loan programs:
 - (a) Agricultural Development Fund “Agricultural Machinery Loan Implementation Guidelines”
 - (b) Agricultural Development Fund “Farmhouse Repair and Construction Assistance Loan Guidelines”
 - (c) Agricultural Development Fund rural development acceleration loan “Project Assistance Loan for Joint, Commissioned, and Cooperative Enterprise Operation Guidelines,” “Dairy Farm Operation Improvement Loan Guideline,” “Pig Farm Operation Upgrading Loan Guidelines,” “Farmers’ (Fishermen’s) Association Enterprise Loan Guidelines,” “Guidelines Governing Preferential Loans for Enterprises in the Taiwan Orchid Plantation” and “Animal Husbandry Pollution Control Loan Guidelines”
4. Approval of credit department establishment by the Niaosung Township Farmers’ Association in Kaohsiung Country.
5. Issue of the Bureau’s first official press release.

May

Promulgation of the “Guidelines for the Establishment and Operation of a Legislative Yuan Liaison Subcommittee, Bureau of Agricultural Finance, COA, Executive Yuan.”

June

1. Promulgation of the “Bureau of Agricultural Finance, COA, Executive Yuan Procurement Operation Implementation Guidelines.”
2. Revision of the “Regulations Governing Loans Helping Farmers to Purchase Farmland and Expand Scale of Operations.”
3. Official opening of the credit department of the Niasung Township Farmers’ Association in Kaohsiung Country.

July

1. The Bureau announces Hualien County, Nantou County, Taichung County, Changhua County, Yunlin County, Chiayi County, Kaohsiung County, Taitung County, Tainan County, and Miaoli County are eligible for low-interest disaster relief loans in the wake of Typhoon Mindulle and the July 2nd floods.
2. Promulgation of the “Operating Guidelines for the Commissioning of the FSC by the COA to Audit Credit Departments of Farmers’ and Fishermen’s Associations and Computer (Information) Sharing Centers.”
3. Promulgation of the “Guidelines for the Determination and Disposition of Disputed Assets of Credit Departments Assigned to Banks by Farmers’ and Fishermen’s Associations.”
4. The Bureau helps the Agricultural Bank of Taiwan Preparatory Office to hold its first preparatory meeting.

August

1. The Bureau announces that Taitung County and Hsinchu County farmers are eligible for low-interest disaster relief loans in the wake of Typhoon Aere.
2. Determination of the “Logo of the Bureau of Agricultural Finance, COA, Executive Yuan.”
3. Issue of the “2004 Agricultural Finance Project Proposal and Operating Manual, Bureau of Agricultural Finance, COA, Executive Yuan.”
4. Issue of the “Project Funding Management Handbook, Bureau of Agricultural Finance, COA, Executive Yuan.”

5. Introduction of six new agricultural project loans: "Farm Business Improvement Loans for Middle-age Farmers," "Loans for Agricultural Production and Marketing Groups," "Loans for Improvement of Tea Plantation Management, Facilities, and Tea Factory Equipment," Assistance Loans for Export of Agricultural Products," "Financial Improvement Loans," and "Consolidated Loans for Farmers."
6. The Bureau received approval to use its secondary reserve fund to pay for expenditures in 2004.

September

1. Promulgation of the "Bureau of Agricultural Finance, COA, Executive Yuan Workplace Sexual Harassment Prevention Measure Appeal and Punishment Handling Guidelines."
2. The Bureau helps convene the first founders meeting for the Agricultural Bank of Taiwan.
3. The Bureau holds an agricultural financial management and assistance conference.
4. The Bureau's computerized attendance and card reading system is officially put into use.

October

1. The Bureau announces that Yilan County farmers are eligible for low-interest disaster relief loans in the wake Typhoon Nock-Ten.
2. The Bureau holds a conference on the agricultural financial management system, and invited Mr. Tanaka Hisayoshi, director of Japan's Norinchukin Research Institute, and Mr. Takashi Sasaki, director of the institute's planning and administration division, to visit Taiwan and participate in the conference.

November

1. Revision of regulations for the following five agricultural project loan programs: "Financial Improvement Loan Guidelines," "Guidelines Governing Farm Business Improvement Loans for Middle-age Farmers," "Agricultural Production and Marketing Group Loan Guidelines," "Agricultural Product Export Assistance Loan Guidelines," "Financial Improvement Loans," and "Consolidated Loans for Farmers Guidelines."
2. The Bureau holds an agricultural project loan program workshop.

December

1. The Bureau announces that Tainan City and Pingtung County farmers are eligible for low-interest disaster relief loans in the wake Typhoon Nanmadol.
2. The Bureau announces implementation of the “Regulations Governing Management of the Farmers' and Fishermen's Association Credit Department Ratio of Net Worth to Risky Assets.”
3. Revision of the “Financial Improvement Loan Guidelines.”
4. The Bureau helps convene the second founders meeting of the Agricultural Bank of Taiwan; directors and supervisors are elected.
5. The Bureau holds an award ceremony for its farmers’ and fishermen’s association credit department agricultural loan service performance and non-performing loan reduction competition.
6. The Bureau conducts its 2004 administrative satisfaction survey.
7. The Bureau conducts team development training for agricultural finance personnel.
8. The Bureau conducts an agricultural finance law seed teacher training class.
9. Inaugural ceremony for the Bureau’s website.
10. Completion of the Bureau’s internal knowledge management portal website.
11. Suspension of all powers and authorities of member representatives, directors, supervisors, and the secretary general of the Hsinpi Township Farmers' Association. Personnel are stationed at the association and assist merger with the Nanchou Township Farmers’ Association.

(2) The Bureau's Budget and Final Accounting

(a) 2004 Budget

- (i) Unit Budget for the Bureau of Agricultural Finance
Annual expenditures of NT\$145 million are made from the secondary reserve fund.
- (ii) Subordinate unit budget of the Agricultural Development Fund (Special Agricultural Income – Agricultural Development Fund – agricultural loan program)
 - 1. Operating income: Interest income from agricultural loans totaled NT\$32 million.
 - 2. Operating expenses: Agricultural loan interest spread subsidies totaled NT\$422 million, agricultural development fund loan commissioning fees totaled NT\$10 million, bad debt and guarantee shortfalls totaled NT\$1 million; a total of NT\$433 million budgeted.
- (iii) Sub-budget of the Sino-American Fund subordinate unit budget
Agricultural loans totaling NT\$180 million

(b) Final Accounting for 2004

- (i) Unit Budget for Bureau of Agricultural Finance
The final accounting number was NT\$136 million, which included a realized amount of NT\$132 million, a payable amount of NT\$1 million, a retained amount of NT\$3 million, and a surplus amount of NT\$9 million. The final accounting number was 94.04% of the budget number. Implementation results for various projects are shown in Figure 4.

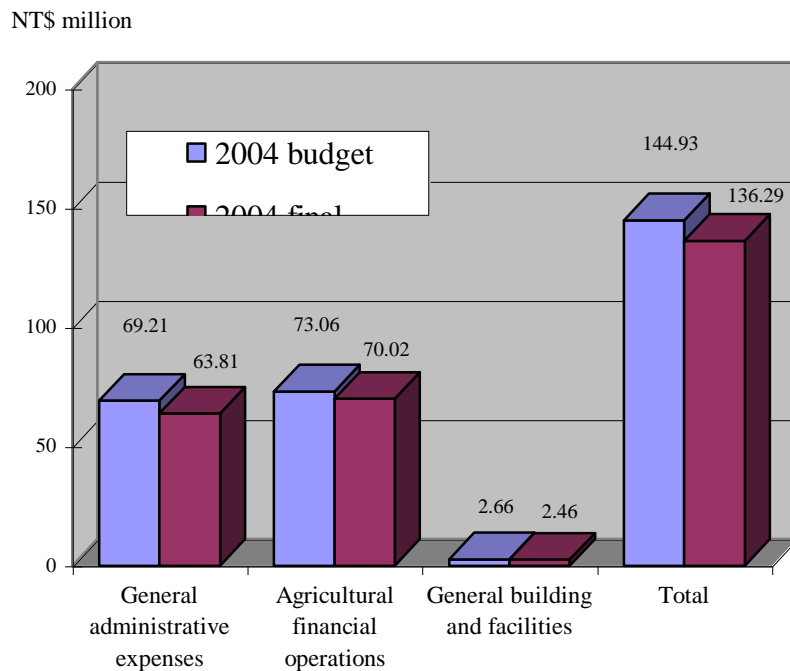


Figure 4 Implementation of the Bureau's 2004 secondary reserve fund

(ii)

Subordinate unit final account of Agricultural Development Fund

The final accounting number for operating income was NT\$30 million, the final accounting number for operating expense was NT\$370 million, and the final accounting deficit was NT\$340 million.

(iii) Sub-final accounting of the Sino-American Fund subordinate unit final accounting

The actual loan number was NT\$180 million.

(c) 2005 Budget

(i) Unit Budget of the Bureau of Agricultural Finance

The 2005 budget number is NT\$10,024 million, which includes NT\$9.927 billion for agricultural finance service projects (including NT\$9.8 billion investment in the Agricultural Bank of Taiwan, which is 99% of the budget), NT\$87 million for general administrative projects (0.9% of the budget), and NT\$10 million for agricultural finance research and development projects (0.1% of the budget).

(ii) Subordinate unit budget of the Agricultural Development Fund (Special Agricultural Income – Agricultural Development Fund – agricultural

loan program)

1. Operating income: Interest income from agricultural loans is budgeted at NT\$40 million.
2. Operating expense: Subsidies for agricultural loan interest rate spreads are budgeted at NT\$505 million, agricultural development fund's loan commissioning fees are budgeted at NT\$10 million, bad debt and guarantee shortfalls are budgeted at NT\$1 million; a total of NT\$516 million is budgeted.

(iii) Sub-budget of the Sino-American Fund subordinate unit budget
Agricultural loan programs are budgeted at NT\$230 million.

PHOTOS