

JAN 26 2011

A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that for the State of
2 Hawaii to meet its sustainability goals, it must become more
3 self-reliant in food production. In order to achieve this goal,
4 new farms will have to be developed. However, one of the
5 limiting factors is the availability of affordable credit for
6 persons wanting to start new farm operations.

7 The legislature also finds that due to an increased
8 interest in diversified agriculture, the number of farms in the
9 State has been increasing. The state agricultural loan program
10 has an existing new farmer program, but demand for the program's
11 new farmer loans has been limited due to the program's high
12 interest rates of six per cent and relatively low loan limit of
13 \$100,000. In addition, the program has to share its funding
14 with the qualified farmer programs.

15 The purpose of this Act is to provide affordable capital
16 for new farmers by:

- 17 (1) Reducing the new farmer program loan interest rate;
- 18 (2) Increasing the program's loan limits;



1 (3) Reducing the number of credit denials required to
2 qualify for the program; and

3 (4) Appropriating funds for the new farmer program.

4 SECTION 2. Section 155-1, Hawaii Revised Statutes, is
5 amended by amending the definition of "new farmer program" to
6 read as follows:

7 "New farmer program" means a new farm enterprise for
8 qualified new farmers, [~~including persons who are:~~] who by
9 reason of ability, experience, and training are likely to
10 successfully operate a farm and who otherwise meet the
11 eligibility requirements of section 155-10 and includes any of
12 the following:

13 (1) [~~Displaced~~] Persons displaced from employment in an
14 agricultural production enterprise;

15 (2) College graduates in agriculture;

16 (3) Community college graduates in agriculture;

17 (4) Members of the Hawaii Young Farmer Association and
18 Future Farmer of America graduates with farming
19 projects;

20 (5) Persons who have not less than two years' experience
21 as part-time farmers;



1 (6) Persons who have been farm tenants or farm laborers;
2 or

3 (7) Other individuals who for the two years last preceding
4 their application have obtained the major portion of
5 their income from farming operations [~~and~~

6 ~~(8) Persons who by reason of ability, experience, and~~
7 ~~training as vocational trainees are likely to~~
8 ~~successfully operate a farm, who otherwise meet the~~
9 ~~eligibility requirements of section 155-10]."~~

10 SECTION 3. Section 155-3, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§155-3 Restriction.** Loans provided for by this chapter
13 shall [~~be authorized only if these loans cannot be made by two~~
14 ~~lenders, which may include any of the following:] require two
15 credit denials except for class "F" loans for new farmer
16 programs, which shall require one credit denial. This
17 requirement may be waived by the board of agriculture for
18 emergency loans. Credit denials may be accepted from any of the
19 following:~~

- 20 (1) Private lenders;
21 (2) Members of the farm credit system; or



1 (3) The United States Department of Agriculture [~~provided~~
2 ~~that the board of agriculture may waive this~~
3 ~~requirement for emergency loans~~]."

4 SECTION 4. Section 155-8, Hawaii Revised Statutes, is
5 amended by amending subsection (c) to read as follows:

6 "(c) Loans made under this section shall bear simple
7 interest on the unpaid principal balance, charged on the actual
8 amount disbursed to the borrower. The interest rate on loans of
9 class "A", "B", "C", "E", and "G" shall be at a rate of one per
10 cent below the prime rate or at a rate of seven and one-half per
11 cent a year, whichever is less. For purposes of this
12 subsection, the prime rate shall be determined on January 1 and
13 July 1 of each year, and shall be the prime rate charged by the
14 two largest banks in the State identified by the department of
15 commerce and consumer affairs. If the prime rates of the two
16 largest banks are different, the lower prime rate of the two
17 shall apply. The interest rate on class "F" loans shall be at a
18 rate of one and one-half per cent below the prime rate or at a
19 rate of six per cent a year[-], whichever is less. The interest
20 rate of class "H" loans shall be three per cent a year. If the
21 money loaned is borrowed by the department, then the interest on
22 loans of the classes shall be the rate as determined above or



1 one per cent over the cost to the State of borrowing the money,
2 whichever is greater. Interest on [~~class "D"~~] loans made under
3 this chapter shall not be less than three per cent a year."

4 SECTION 5. Section 155-9, Hawaii Revised Statutes, is
5 amended by amending subsection (g) to read as follows:

6 "(g) Class F: Loans for new farmer programs shall provide
7 for costs of a new farm enterprise for qualified new farmers:

8 (1) Initial loans made under this class shall be for
9 purposes and in accordance with the terms specified in
10 class "A" and "C" only, and shall be made only for
11 full-time farming. The loans shall be made for an
12 amount not to exceed [~~\$100,000~~] \$250,000 or
13 eighty-five per cent of the cost of the project,
14 whichever is less;

15 (2) Any subsequent loan shall be made from classes "A" to
16 "D", respectively, depending upon the purpose for
17 which the loan funds are used; and

18 (3) Borrowers shall comply with special term loan
19 agreements as may be required by the department and
20 shall take special training courses as the department
21 deems necessary."



1 SECTION 6. There is appropriated out of the general
 2 revenues of the State of Hawaii the sum of \$ or so
 3 much thereof as may be necessary for fiscal year 2011-2012 to be
 4 deposited into the agricultural loan revolving fund.

5 SECTION 7. There is appropriated out of the agricultural
 6 loan revolving fund the sum of \$ or so much thereof as
 7 may be necessary for fiscal year 2011-2012 for the new farmer
 8 program.

9 The sums appropriated shall be expended by the department
 10 of agriculture for the purposes of this Act.

11 SECTION 8. Statutory material to be repealed is bracketed
 12 and stricken. New statutory material is underscored.

13 SECTION 9. This Act shall take effect on July 1, 2011.
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Report Title:

Agricultural Loans; New Farmer Program; Appropriation

Description:

Reduces the new farmer program loan interest rate; increases the loan limits; reduces the number of credit denials required to qualify for the program; appropriates funds.

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