

HB 1248

HD 1

NEIL ABERCROMBIE
Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512

RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

JAMES J. NAKATANI
Deputy to the Chairperson

**TESTIMONY OF RUSSELL S. KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

**WEDNESDAY, MARCH 30, 2011
9:30 A.M.
CONFERENCE ROOM 211**

**HOUSE BILL NO. 1248, HD1
RELATING TO AGRICULTURAL LOANS**

Chairperson Ige and Members of the Committee:

Thank you for the opportunity to comment on HB 1248, HD1 relating to agricultural loans.

The Department strongly supports this bill.

The purpose of this bill is to enhance the new farmer loan program by reducing the interest rate, increasing the loan limit and reducing the number of credit denials required to qualify for the program and creates a interest rate floor for agricultural loans. It also appropriates funds to directly target new farmers.

The new farmer loan program is intended to encourage entrepreneurs to enter the production of agriculture on a full-time basis. Access to affordable capital is vital for start-up business and is especially difficult for new farm operators to obtain. Currently, the interest rate for the new farmer loan program is fixed at 6%. The proposal will set the interest rate at 1.5% below the prime rate with a cap of 6%. This will ensure that the interest rate for the new farmers will be below the interest rate for the qualified farmers. Since the interest rates will float, the bill proposes an interest rate floor of 3% for all loans.

The loan limit of \$100,000 has not been increased since the establishment of the program in 1972. Due to increased capital requirements, the loan limit will be increased to \$250,000.

Commercial lenders are especially reluctant to fund start-up operations and the reduction of credit denials would make the program more user-friendly.

New farmers will need to be encouraged if the State is to meet its sustainability goals in food production. Availability of affordable credit is the first step in this process.

Thank you for the opportunity to testify on this measure.



Hawaii Farm Bureau

F E D E R A T I O N

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March 29, 2011

TESTIMONY

RE:HB1248HD1 RELATING TO AGRICULTURAL LOANS

Chair Ige and Members of the Committee:

Hawaii Farm Bureau Federation on behalf of our commercial farm and ranch families and organizations across the State **STRONGLY SUPPORTS** HB1248HD1, making it easier for new farmers and ranchers to obtain loans.

Across the State, there are efforts to “preserve” agricultural lands. Farm Bureau’s initiative to designate Important Agricultural Lands is a form of preserving agricultural lands by having viable farms and ranches. One of the goals of the program is to have affordable farmland. However, this means there is less collateral to the bank so its mechanisms to provide greater access to financing will be important.

In addition, new farmers and ranchers will probably not have significant other collateral. In the past, banks had agricultural loan officers cognizant about agriculture. Those days are gone.

We respectfully request your support in passage of this bill with restoration of the effective date of the measure to the enactment date. Thank you for this opportunity to provide our opinion on this important matter