

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 HOUSE COMMITTEE ON FINANCE
WEDNESDAY, MARCH 30, 2011
11:00 A.M.
CONFERENCE ROOM 308

SENATE BILL NO. 1153, SD1, HD1
RELATING TO AGRICULTURAL LOANS

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to comment on SB 1153, SD1, HD1.

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. It also appropriates funds to directly target new farmers and creates an interest floor for agricultural loans.

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% and is significantly higher than the qualified farmer rate which is currently set at 3.375%. In order to encourage new farmers, it is recommended that the new farmer rate be set at a higher percentage (1.5%) below the prime rate than the qualified farmer rate of 1% and include 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 was amended to propose an interest rate floor of 1%; however, at the proposed rate the program will not be sustainable and it is recommended that the rate be set at 3%. This rate would be equivalent to the emergency loan rates which would be the best rate available while allowing the program to remain self-sufficient and sustainable.

The loan limit of \$100,000 has not been increased since the establishment of the program in 1972. Due to increases in capital requirements over the past 39 years, we support the proposed increase in the current loan limit of \$100,000 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

2343 Rose Street, Honolulu, HI 96819
PH: (808)848-2074; Fax: (808) 848-1921

March 29, 2011

TESTIMONY

RE:SB1153 HD1 RELATING TO AGRICULTURAL LOANS

Chair Oshiro 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** SB1153 HD1, 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 it mechanisms to provide greater access to financing will be important.

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

Thank you for this opportunity to provide our opinion on this important matter.

TESTIMONY OF CHARLES STRUWE
NEW, PART TIME SOILLESS GARDNER-FARMER

BEFORE THE HOUSE COMMITTEE ON FINANCE
WEDNESDAY, MARCH 30, 2011

11:00 AM

CONFERENCE ROOM 308

SENATE BILL NO. 1153, SD1, HD1
RELATING TO AGRICULTURAL LOANS

Chairperson Oshiro, Vice Chairperson Lee and Members of the Committee:

Thank you for the opportunity to comment on **SB 1153, SD1, HD1**. The purpose of this Act is to provide affordable capital for new farmers. **I strongly support this bill.**

As Russell Kokubun, Chairperson of the Board of Agriculture, noted in his testimony before the House Committee on Agriculture on March 16, 2011:

“(t)he new farmer loan program is intended to encourage entrepreneurs to enter the production of agriculture on a full-time basis”; and

“new farmers will need to be encouraged if the State is to meet its sustainability goals in food production”, and

“availability of affordable credit is the first step in this process”; and

“access to affordable capital is vital for start-up business and is especially difficult for new farm operators to obtain”, and

“commercial lenders are especially reluctant to fund start-up operations”.

As a new farmer and potential borrower, I believe that reducing the program’s loan interest rate, increasing the program’s loan limit, reducing the number of credit denials required to qualify for the program and appropriating funds for the program will achieve the stated purpose of this Act, the intention of the new farmer loan program and encourage other new farmers to enter into the food production business on a full time basis.

Again, thank you for the opportunity to comment on this measure.