

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 AGRICULTURE
WEDNESDAY, MARCH 16, 2011
9:00 A.M.
CONFERENCE ROOM 312**

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

Chairperson Tsuji and Members of the Committee:

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

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.

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 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.

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, it is recommended that a significant increase in the current loan limit of \$100,000 to \$250,000 be considered.

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 14, 2011

TESTIMONY

RE:SB1153 SD1 RELATING TO AGRICULTURAL LOANS

Chair Tsuji 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 SD1, 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. Sound business plans are important for the lender as well as the farmer or rancher. As this program is approved we urge the inclusion of a program such as the CTAHR business incubator program, providing assistance to these new farmers and ranchers to develop sound business plans that will allow them to repay the loans.

We respectfully request your support of this measure with an amendment addressing assistance with business plans.

Thank you for this opportunity to provide our opinion on this important matter. If there are questions, please contact Warren Watanabe, Executive Director of MCFB at 2819718.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 15, 2011 3:21 PM
To: AGRtestimony
Cc:
Subject: Testimony for SB1153 on 3/16/2011 9:00:00 AM

Testimony for AGR 3/16/2011 9:00:00 AM SB1153

Conference room: 312
Testifier position: support
Testifier will be present: No
Submitted by: Charles Struwe
Organization: Individual
Address:
Phone:
E-mail:
Submitted on: 3/15/2011

Comments:

My name is Charles Michael Struwe. I am a graduate of the University of Hawaii at Manoa with a degree in business, majoring in marketing, and a new, part-time soilless gardener and farmer.

I support S.B. No 1153, S.D. 1, A BILL FOR AN ACT RELATING TO AGRICULTURAL LOANS," because its purpose and intent is to provide affordable capital for new farmers at a reduced interest rate, with an increased loan limit, a reduction in the number of credit denials to only one to qualify for the program, and, most importantly, by appropriating funds for the program, and because the changes in the statutes included in the text of the bill will, in my view, achieve the stated purpose and intent.

With respect to the definition of the "New Farmer Program", Section 155-1, Hawaii Revised Statutes, I request that persons deemed qualified new farmers include those of us who have earned our degrees in business in addition to those who have earned their degrees in agriculture and that the requirement that part-time farmers have not less than two years' experience be reduced to not less than one year.

Also, I request that the bill be expanded to include "part-time farmers" and class "G" loans. Specifically, I request that:

- (1) the interest rate on class "G" loans be set at the same rate as that proposed for class "F" loans;
- (2) the loan amount limit of class "G" loans, now \$25,000, be increased to a higher amount in the same proportion as that proposed for class "F" loans;
- (3) part-time farmer program loan applicants be exempted from the requirement of two credit denials and be required to provide only one, just as proposed for class "F" loans;
- (4) an appropriation out of the agricultural loan revolving fund be made for the part-time farmer program; and
- (5) class "G" loans require that "Borrowers shall comply with special term loan agreements as may be required by the department and shall take special training courses as the department deems necessary" just as currently required for class "F" loans.

Thank you for the opportunity to share my views and make these requests.