

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

THURSDAY, FEBRUARY 24, 2011

12:00 P.M.

CONFERENCE ROOM 308

HOUSE BILL NO. 1248
RELATING TO AGRICULTURAL LOANS

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to comment on HB 1248, 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. 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.

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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February 24, 2011

TESTIMONY

RE:HB1248 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** HB1248, 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 whether it be 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.