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# A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

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

1 SECTION 1. Section 155-1, Hawaii Revised Statutes, is  
2 amended as follows:

3 1. By adding a new definition to be appropriately inserted  
4 and to read:

5 "Biosecurity" means a system that serves to protect the  
6 health of livestock, poultry, and humans from diseases, pests,  
7 and pathogens and measures that prevent disease causing agents  
8 from entering, spreading, or leaving the farm premises."

9 2. By amending the definition of "new farmer program" to  
10 read:

11 "New farmer [program]" means a new farm enterprise [for  
12 qualified new farmers,] or a person, who by reason of ability,  
13 experience, and training [are] is likely to successfully operate  
14 a farm and who otherwise [meet] meets the eligibility  
15 requirements of section 155-10 and includes any of the  
16 following:

17 (1) Persons displaced from employment in an agricultural  
18 production enterprise;



- 1           (2) College graduates in agriculture;
- 2           (3) Community college graduates in agriculture;
- 3           (4) Members of the Hawaii Young Farmer Association and
- 4           National FFA Organization graduates with farming
- 5           projects;
- 6           (5) Persons who have not less than two years' experience
- 7           as part-time farmers;
- 8           (6) Graduates from farm trainee programs designed to
- 9           provide interns with the necessary hands on skills and
- 10           management training to be able to successfully operate
- 11           their own farm;
- 12        ~~[(6)]~~ (7) Persons who have been farm tenants or farm
- 13           laborers; or
- 14        ~~[(7)]~~ (8) Other individuals who have for the two years last
- 15           preceding their application obtained the major portion
- 16           of their income from farming operations."

17           SECTION 2. Section 155-3, Hawaii Revised Statutes, is  
 18 amended to read as follows:

19           "**§155-3 Restriction.** Loans provided for by this chapter  
 20 shall require two credit denials, except for class "F" loans for  
 21 new farmer and farm innovation programs which shall require one  
 22 credit denial. New farmer loans for \$100,000 or less for farm

1 trainees and recent college graduates with a degree in  
2 agriculture shall have this requirement waived. This  
3 requirement may also be waived by the board of agriculture for  
4 emergency loans. Credit denials may be accepted from any of the  
5 following:

- 6 (1) Private lenders;
- 7 (2) Members of the farm credit system; or
- 8 (3) The United States Department of Agriculture."

9 SECTION 3. Section 155-5, Hawaii Revised Statutes, is  
10 amended by amending subsection (b) to read as follows:

11 "(b) Loans insured under this section shall be limited by  
12 the provisions of sections 155-9 through 155-13 for purposes of  
13 class "A" through class [~~"F";~~] "I"; provided that class "E"  
14 loans to food manufacturers shall not be subject to section 155-  
15 10."

16 SECTION 4. Section 155-5.5, Hawaii Revised Statutes, is  
17 amended by amending subsection (b) to read as follows:

18 "(b) Loans guaranteed under this section shall be limited  
19 by the provisions of sections 155-9 through 155-13 for purposes  
20 of classes "A", "B", "C", [~~and "E";~~] "D", "E", "F", "G", "H",  
21 and "I"; provided that class "E" loans to food manufacturers



1 shall not be subject to section 155-10. [~~No class "D" and "F"~~  
2 ~~loans shall be made under this section.~~]"

3 SECTION 5. Section 155-6, Hawaii Revised Statutes, is  
4 amended by amending subsection (b) to read as follows:

5 "(b) Participating loans under this section shall be  
6 limited by sections 155-9 to 155-13 for purposes of class "A"  
7 through class [~~"F",~~] "I", the department's share not to exceed  
8 the maximum amounts specified therefor; provided that class "E".  
9 loans to food manufacturers shall not be subject to section 155-  
10 10."

11 SECTION 6. Section 155-8, Hawaii Revised Statutes, is  
12 amended by amending subsection (c) to read as follows:

13 "(c) Loans made under this section shall bear simple  
14 interest on the unpaid principal balance, charged on the actual  
15 amount disbursed to the borrower. The interest rate on loans of  
16 class "A", "B", "C", "E", and "G" shall be at a rate of one per  
17 cent below the prime rate or at a rate of seven and one-half per  
18 cent a year, whichever is less. For purposes of this  
19 subsection, the prime rate shall be determined on January 1 and  
20 July 1 of each year, and shall be the prime rate charged by the  
21 two largest banks in the State identified by the department of  
22 commerce and consumer affairs. If the prime rates of the two



1 largest banks are different, the lower prime rate of the two  
2 shall apply. The interest rate of class "F" loans shall be at a  
3 rate of one and one-half per cent below the prime rate or at a  
4 rate of six per cent a year, whichever is less. The interest  
5 rate of class "H" and "I" loans shall be three per cent a year.  
6 If the money loaned is borrowed by the department, then the  
7 interest on loans of the classes shall be the rate as determined  
8 above or one per cent over the cost to the State of borrowing  
9 the money, whichever is greater. Interest on loans made under  
10 this chapter shall not be less than three per cent a year."

11 SECTION 7. Section 155-9, Hawaii Revised Statutes, is  
12 amended to read as follows:

13 **"§155-9 Classes of loans; purposes, terms, eligibility.**

14 (a) Loans made under this chapter shall be for the purposes and  
15 in accordance with the terms specified in classes "A" through  
16 [~~"H"~~] "I" in this section and shall be made only to applicants  
17 who meet the eligibility requirements specified therein and  
18 except as to class "B" loans to associations and class "E"  
19 loans, the eligibility requirements specified in section 155-10.  
20 The maximum amount of a loan for class "A", "C", "D", and "F"  
21 loans to an individual applicant shall also apply to any loan  
22 application submitted by a partnership, corporation, or other



1 entity, and for the purpose of determining whether the maximum  
2 loan amount to any individual will be exceeded, outstanding  
3 loans to any partnership, corporation, or other entity that the  
4 individual has a legal or equitable interest in excess of twenty  
5 per cent shall be taken into account.

6 (b) Class A: Farm ownership and improvement loans shall  
7 provide for:

- 8 ~~[(1) The purchase or improvement of farm land;~~  
9 ~~(2) The] (1) Infrastructure improvements, including the  
10 purchase, construction, or improvement of farm land,  
11 adequate farm dwellings, and other essential farm  
12 buildings; and  
13 ~~[(3)] (2) The liquidation of indebtedness incurred for any~~  
14 of the foregoing purposes.~~

15 The loans shall be for an amount not to exceed \$800,000 and  
16 for a term not to exceed forty years. To be eligible, the  
17 applicant shall:

- 18 ~~[(A) derive,] (1) Derive, or present an acceptable  
19 plan to derive, a major portion of the applicant's  
20 income from and devote, or intend to devote, most of  
21 the applicant's time to farming operations; and~~



1            [~~(B) have~~] (2) Have or be able to obtain the  
2            operating capital, including livestock and equipment,  
3            needed to successfully operate the applicant's farm.

4            (c) Class B: Soil and water conservation loans shall  
5 provide for:

- 6            (1) Soil conservation practices;  
7            (2) Water development, conservation, and use;  
8            (3) Drainage; and  
9            (4) The liquidation of indebtedness incurred for any of  
10           the foregoing purposes.

11           The loans shall be for an amount not to exceed \$35,000 to  
12 an individual or \$200,000 to an association and shall be for a  
13 term not to exceed twenty years for a loan to an individual and  
14 forty years to an association. To be eligible, an individual  
15 applicant shall have sufficient farm and other income to pay for  
16 farm operating and living expenses and to meet payments on the  
17 applicant's existing debts, including the proposed soil and  
18 water conservation loan. An association, to be eligible, shall  
19 be a nonprofit organization primarily engaged in extending  
20 services directly related to the purposes of the loan to its  
21 members, and at least sixty per cent of its membership shall  
22 meet the eligibility requirements specified in section 155-10.



1 (d) Class C: Farm operating loans shall be for the  
2 purpose of carrying on and improving a farming operation,  
3 including:

4 (1) The purchase of [~~farm equipment and~~] livestock;  
5 (2) The payment of production and marketing expenses,  
6 including materials, labor, and services;

7 (3) The payment of living expenses;

8 (4) Infrastructure and infrastructure improvements,  
9 including the purchase of farm equipment;

10 [~~+4~~] (5) The liquidation of indebtedness incurred for any  
11 of the foregoing purposes; and

12 [~~+5~~] (6) The exportation of crops and livestock.

13 The loans shall be for an amount not to exceed \$800,000 and  
14 for a term not to exceed ten years. To be eligible, an  
15 applicant shall derive, or present an acceptable plan to derive,  
16 a major portion of the applicant's income from and devote, or  
17 intend to devote, most of the applicant's time to farming  
18 operations.

19 Qualified farmers affected by state eradication programs  
20 may also be eligible for loans under this subsection. Loans  
21 made for rehabilitation from eradication programs shall be  
22 subject to the terms of class "C" loans; provided that the





1 interest rate shall be three per cent a year and the  
2 requirements in section 155-3 shall be waived and paragraph (4)  
3 shall not apply.

4 (e) Class D: Emergency loans shall be for the purpose of  
5 providing relief and rehabilitation to qualified farmers without  
6 limit as to purpose:

- 7 (1) In areas stricken by extraordinary rainstorms,  
8 windstorms, droughts, tidal waves, earthquakes,  
9 volcanic eruptions, and other natural catastrophes;  
10 (2) On farms stricken by livestock disease epidemics and  
11 crop blights;  
12 (3) On farms seriously affected by prolonged shipping and  
13 dock strikes;  
14 (4) During economic emergencies caused by overproduction,  
15 excessive imports, and the like; and  
16 (5) During other emergencies as determined by the board of  
17 agriculture.

18 The maximum amounts and period for the loans shall be  
19 determined by the board of agriculture; provided that the board  
20 shall require that any settlement or moneys received by  
21 qualified farmers as a result of an emergency declared under



1 this section shall first be applied to the repayment of an  
2 emergency loan made under this chapter.

3 (f) Class E: Loans to farmers' cooperatives,  
4 corporations, and food manufacturers shall provide credit to  
5 entities engaged in marketing, purchasing, and processing, and  
6 providing farm business services, including:

- 7 (1) Facility loans for infrastructure and infrastructure  
8 improvements. This includes loans to purchase or  
9 improve land, [~~building,~~] buildings, and equipment for  
10 an amount not to exceed \$500,000 and a term not to  
11 exceed twenty years;
- 12 (2) Operating loans to finance inventories of supplies and  
13 materials, warehousing, and shipping commodities,  
14 extension of consumer credit to justified farmer-  
15 members, and other normal operating expenses for an  
16 amount not to exceed \$300,000 and a term not to exceed  
17 seven years; and
- 18 (3) The exportation of crops and livestock.

19 To be eligible, a farmers' cooperative or corporation shall  
20 have a majority of its board of directors and a majority of its  
21 membership as shareholders who meet the eligibility requirements  
22 of section 155-10 and who devote most of their time to farming



1 operations, and the facility loans shall be for an amount not to  
2 exceed \$500,000 or eighty per cent of the cost of the project,  
3 whichever is less.

4 To be eligible, a food manufacturer shall be licensed to do  
5 business in the State, and the controlling interest of the  
6 entity shall possess a minimum of two years of relevant  
7 processing or manufacturing experience as acceptable to the  
8 department of agriculture. The entity shall process Hawaii-  
9 grown agricultural products or use Hawaii-grown agricultural  
10 products as an ingredient in the manufacturing process.

11 Facility loans shall be for an amount not to exceed \$500,000 or  
12 eighty per cent of the cost of the project, whichever is less.

13 The requirements in section 155-10 shall be waived for food  
14 manufacturing loans; however, the entity shall be a sound credit  
15 risk with the ability to repay the money borrowed.

16 (g) Class F: [~~Loans for new farmer programs shall provide~~  
17 ~~for costs of a new farm enterprise for qualified new farmers:~~]

18 New farmer and farm innovation loan programs shall provide for:

19 (1) [~~Initial~~] New farmer loans made under this class shall  
20 be for purposes and in accordance with the terms  
21 specified in class "A" and "C" only, and shall be made  
22 only for full-time farming. The loans shall be made



1 for an amount not to exceed \$250,000 or eighty-five  
2 per cent of the cost of the project, whichever is  
3 less[~~+~~]. Farm trainees and recent graduates with a  
4 degree in agriculture with smaller projects requiring  
5 loans of \$100,000 or less shall have a minimum five  
6 per cent equity contribution towards the cost of the  
7 project;

8 (2) Farm innovation loans are for qualified farmers to  
9 perform practical research in crop development,  
10 innovative production techniques, new technologies,  
11 and production of new crops that are not typically  
12 grown in the State. Farm innovation loans shall be  
13 limited to a maximum of \$75,000;

14 [~~+2~~] (3) Any subsequent loan shall be made from classes  
15 "A" to "D", respectively, depending upon the purpose  
16 for which the loan funds are used; and

17 [~~+3~~] (4) Borrowers shall comply with special term loan  
18 agreements as may be required by the department and  
19 shall take special training courses as the department  
20 deems necessary.



1 (h) Class G: Loans to part-time farmers shall be for farm  
2 improvement and operating purposes for carrying on and improving  
3 farming operations, including loans for:

4 (1) [~~The~~] Infrastructure and infrastructure improvements,  
5 including the purchase, construction, and improvement  
6 of farm production and growing structures[~~+~~] and  
7 equipment;

8 (2) The purchase of [~~farm equipment or~~] livestock; and

9 (3) The payment of production and marketing expenses,  
10 including materials, labor, and services.

11 The liquidation of indebtedness incurred for any of the  
12 purposes under this subsection and for living expenses shall not  
13 be authorized purposes. Each loan shall be for an amount not to  
14 exceed \$25,000 and for a term not to exceed ten years.

15 (i) Class H: Farm sustainable project loans shall provide  
16 for:

17 (1) The purchase, construction, or improvement of  
18 essential farm buildings, including the improvement of  
19 existing farm buildings related to the project;

20 (2) The improvement of land that may be required by the  
21 project;



- 1 (3) The purchase of equipment and payment of any related
- 2 expenses, including materials, labor, and services;
- 3 (4) Operating expenses associated with the project; or
- 4 (5) The liquidation of indebtedness incurred for any of
- 5 the foregoing purposes.

6 The loans shall be for an amount not to exceed \$1,500,000  
7 or eighty-five per cent of the project cost, whichever is less,  
8 and for a term not to exceed forty years.

9 To be eligible, the applicant shall be a qualified farmer  
10 of sound credit rating with the ability to repay the money  
11 borrowed, as determined by the department. Income from the  
12 applicant's farming activities and any supplemental income that  
13 may be generated from the project shall be the sole criterion  
14 for the department's determination of the applicant's ability to  
15 repay the money borrowed. The department's determination may be  
16 based on projections of income and expenses.

17 (j) Class I: Biosecurity project loans shall provide for:

18 (1) The purchase, construction, or improvement of  
19 essential farm buildings, including the improvement of  
20 existing farm buildings related to the project;

21 (2) The improvement of land that may be required by the  
22 project;



1       (3) The purchase of equipment and payment of any related  
2       expenses, including materials, labor, signage,  
3       training, and services;

4       (4) Operating expenses associated with the project; or

5       (5) The liquidation of indebtedness incurred for any of  
6       the foregoing purposes.

7       The loans shall be for an amount not to exceed \$1,000,000  
8       or eighty-five per cent of the project cost, whichever is less,  
9       and for a term not to exceed twenty-five years.

10       To be eligible, the applicant shall be a qualified farmer  
11       of sound credit rating with the ability to repay the money  
12       borrowed, as determined by the department. Income from the  
13       applicant's farming activities and any supplemental income that  
14       may be generated from the project shall be the sole criterion  
15       for the department's determination of the applicant's ability to  
16       repay the money borrowed. The department's determination may be  
17       based on projections of income and expenses."

18       SECTION 8. Statutory material to be repealed is bracketed  
19       and stricken. New statutory material is underscored.

20       SECTION 9. This Act shall take effect on July 1, 2050.



**Report Title:**

Agricultural Loans

**Description:**

Expands the Department of Agriculture Agricultural Loan Program to provide loans for infrastructure, infrastructure improvements, the implementation of new farming techniques, and biosecurity projects. Effective July 1, 2050. (HB1264 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

