
A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

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

1 SECTION 1. The legislature finds that Hawaii's livestock
2 industry is both economically and culturally significant with
3 its long paniolo history as well as providing whole hog
4 carcasses for imus and Chinatown markets. Livestock operations
5 are susceptible to the introduction of pests and diseases that
6 can affect the health and welfare of the animals and in some
7 cases may affect the health and well-being of people who come in
8 contact with the animals or farm products. Biosecurity measures
9 serve to protect the health of poultry and livestock from
10 diseases, pests, and pathogens and are increasingly being
11 required by federal programs to ensure a safe food supply.

12 While these measures help protect the farm and consumers, they
13 often do not result in additional profits for the operation.

14 The legislature also finds that financial resources are not
15 readily available to those new to farming and those who would
16 like to experiment with new crops or techniques. Lack of
17 capital oftentimes weighs heavily when deciding whether or not
18 to choose farming as a career.



1 With the average age of the farm operator in Hawaii being
2 fifty-nine years old, there is a need to encourage the younger
3 generations to take over existing farms or start their own
4 farms. Capital is also needed for farmers to be able to test
5 new techniques and new crops in order to make their operations
6 run more efficiently and thus be better able to survive foreign
7 and mainland competition.

8 The purpose of this Act is to:

- 9 (1) Establish a low-interest biosecurity loan program to
10 assist the livestock industry; and
11 (2) Enhance new farmer loans and establish a farm
12 innovation loan program to provide incentives to enter
13 into and to continue farming.

14 SECTION 2. Section 155-1, Hawaii Revised Statutes, is
15 amended by amending the definition of "new farmer program" to
16 read as follows:

17 "New farmer [~~program~~]" means a new farm enterprise [~~for~~
18 ~~qualified new farmers,~~] or a person, who by reason of ability,
19 experience, and training [~~are~~], is likely to successfully
20 operate a farm and who otherwise [~~meet~~] meets the eligibility
21 requirements of section 155-10 and includes any of the
22 following:



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

19 SECTION 3. Section 155-3, Hawaii Revised Statutes, is
20 amended to read as follows:

21 "§155-3 **Restriction.** Loans [~~provided for~~] authorized by
22 this chapter shall require two credit denials, except for class



1 "F" loans for new farmer and farm innovation programs, which
2 shall require one credit denial. This requirement shall be
3 waived for new farmer loans for \$100,000 or less for graduates
4 of farm trainee programs and persons who graduated from college
5 with a degree in agriculture within the five years immediately
6 preceding the date of the loan application. This requirement
7 may also be waived by the board of agriculture for emergency
8 loans. Credit denials may be accepted from any of the
9 following:

- 10 (1) Private lenders;
11 (2) Members of the farm credit system; or
12 (3) The United States Department of Agriculture."

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

15 "(b) Loans insured under this section shall be limited by
16 the provisions of sections 155-9 through 155-13 for purposes of
17 class "A" through class [~~"F"~~] "I"; provided that class "E"
18 loans to food manufacturers shall not be subject to section 155-
19 10."

20 SECTION 5. Section 155-5.5, Hawaii Revised Statutes, is
21 amended by amending subsection (b) to read as follows:



1 "(b) Loans guaranteed under this section shall be limited
2 by ~~[the provisions of]~~ sections 155-9 through 155-13 for
3 purposes of ~~[classes]~~ class "A" ~~[, "B", "C", and "E";]~~ through
4 class "I"; provided that class "E" loans to food manufacturers
5 shall not be subject to section 155-10. ~~[No class "D" and "F"~~
6 ~~loans shall be made under this section.]"~~

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

9 "(b) Participating loans under this section shall be
10 limited by sections 155-9 to 155-13 for purposes of class "A"
11 through class ~~["F",]~~ "I", the department's share not to exceed
12 the maximum amounts specified therefor; provided that class "E"
13 loans to food manufacturers shall not be subject to section 155-
14 10."

15 SECTION 7. Section 155-8, Hawaii Revised Statutes, is
16 amended by amending subsection (c) to read as follows:

17 "(c) Loans made under this section shall bear simple
18 interest on the unpaid principal balance, charged on the actual
19 amount disbursed to the borrower. The interest rate on loans of
20 class "A", "B", "C", "E", and "G" shall be at a rate of one per
21 cent below the prime rate or at a rate of seven and one-half per
22 cent a year, whichever is less. For purposes of this



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

15 SECTION 8. Section 155-9, Hawaii Revised Statutes, is
16 amended to read as follows:

17 **"§155-9 Classes of loans; purposes, terms, eligibility.**

18 (a) Loans made under this chapter shall be for the purposes and
19 in accordance with the terms specified in classes "A" through
20 [~~"H"~~] "I" in this section and shall be made only to applicants
21 who meet the eligibility requirements specified therein and
22 except as to class "B" loans to associations and class "E"



1 loans, the eligibility requirements specified in section 155-10.
2 The maximum amount of a loan for class "A", "C", "D", and "F"
3 loans to an individual applicant shall also apply to any loan
4 application submitted by a partnership, corporation, or other
5 entity, and for the purpose of determining whether the maximum
6 loan amount to any individual will be exceeded, outstanding
7 loans to any partnership, corporation, or other entity that the
8 individual has a legal or equitable interest in excess of twenty
9 per cent shall be taken into account.

10 (b) Class A: Farm ownership and improvement loans shall
11 provide for:

- 12 (1) The purchase or improvement of farm land;
13 (2) The purchase, construction, or improvement of adequate
14 farm dwellings, and other essential farm buildings;
15 and
16 (3) The liquidation of indebtedness incurred for any of
17 the foregoing purposes.

18 The loans shall be for an amount not to exceed \$800,000 and
19 for a term not to exceed forty years. To be eligible, the
20 applicant shall (A) derive, or present an acceptable plan to
21 derive, a major portion of the applicant's income from and
22 devote, or intend to devote, most of the applicant's time to



1 farming operations; and (B) have or be able to obtain the
2 operating capital, including livestock and equipment, needed to
3 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
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) The liquidation of indebtedness incurred for any of
9 the foregoing purposes; and

10 (5) The exportation of crops and livestock.

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

17 Qualified farmers affected by state eradication programs
18 may also be eligible for loans under this subsection. Loans
19 made for rehabilitation from eradication programs shall be
20 subject to the terms of class "C" loans; provided that the
21 interest rate shall be three per cent a year and the



1 requirements in section 155-3 shall be waived and paragraph (4)
2 shall not apply.

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

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

17 The maximum amounts and period for the loans shall be
18 determined by the board of agriculture; provided that the board
19 shall require that any settlement or moneys received by
20 qualified farmers as a result of an emergency declared under
21 this section shall first be applied to the repayment of an
22 emergency loan made under this chapter.



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

5 (1) Facility loans to purchase or improve land, building,
6 and equipment for an amount not to exceed \$500,000 and
7 a term not to exceed twenty years;

8 (2) Operating loans to finance inventories of supplies and
9 materials, warehousing, and shipping commodities,
10 extension of consumer credit to justified farmer-
11 members, and other normal operating expenses for an
12 amount not to exceed \$300,000 and a term not to exceed
13 seven years; and

14 (3) The exportation of crops and livestock.

15 To be eligible, a farmers' cooperative or corporation shall
16 have a majority of its board of directors and a majority of its
17 membership as shareholders who meet the eligibility requirements
18 of section 155-10 and who devote most of their time to farming
19 operations, and the facility loans shall be for an amount not to
20 exceed \$500,000 or eighty per cent of the cost of the project,
21 whichever is less.



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

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

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

13 (g) Class F: [~~Loans for new farmer programs shall provide~~
14 ~~for costs of a new farm enterprise for qualified new farmers:~~]
15 New farmer and farm innovation loan programs shall be subject to
16 the following requirements:

17 (1) [~~Initial~~] New farmer loans made under this class shall
18 be for purposes and in accordance with the terms
19 specified in class "A" and "C" only, and shall be made
20 only for full-time farming. The loans shall be made
21 for an amount not to exceed \$250,000 or eighty-five
22 per cent of the cost of the project, whichever is



1 less[+]. For smaller projects requiring loans of
2 \$100,000 or less, graduates of farm trainee programs
3 and persons who graduated from college with a degree
4 in agriculture within the five years immediately
5 preceding the date of the loan application shall have
6 a minimum five per cent equity contribution towards
7 the cost of the project;

8 (2) Farm innovation loans made under this class shall be
9 for qualified farmers to perform practical research in
10 crop development, innovative production techniques,
11 new technologies, and production of new crops that are
12 not typically grown in the State. Farm innovation
13 loans shall be 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 of
19 agriculture and shall take special training courses as
20 the department 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 purchase, construction, and improvement of farm
5 production and growing structures;
- 6 (2) The purchase of farm equipment or livestock; and
- 7 (3) The payment of production and marketing expenses,
8 including materials, labor, and services.

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

13 (i) Class H: Farm sustainable project loans shall provide
14 for:

- 15 (1) The purchase, construction, or improvement of
16 essential farm buildings, including the improvement of
17 existing farm buildings related to the project;
- 18 (2) The improvement of land that may be required by the
19 project;
- 20 (3) The purchase of equipment and payment of any related
21 expenses, including materials, labor, and services;
- 22 (4) Operating expenses associated with the project; or



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

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

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

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

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

19 (2) The improvement of land that may be required by the
20 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 of agriculture.
13 Income from the applicant's farming activities and any
14 supplemental income that may be generated from the project shall
15 be the sole criterion for the department's determination of the
16 applicant's ability to repay the money borrowed. The
17 department's determination may be based on projections of income
18 and expenses.

19 As used in this subsection, "biosecurity" means:

20 (1) A system that serves to protect the health of
21 livestock, poultry, and humans from diseases, pests,
22 and pathogens; and



1 (2) Measures that prevent disease-causing agents from
2 entering, spreading, or leaving the farm premises."

3 SECTION 9. Section 155-10, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§155-10 General eligibility requirements for loans.** To
6 be eligible for loans under this chapter, an applicant shall be:

- 7 (1) A qualified farmer, a [~~person under the~~] new farmer
8 [~~program~~], or a part-time farmer;
- 9 (2) A citizen of the United States who has resided in the
10 State for at least three years, or any permanent
11 resident alien who has resided in the State for at
12 least three years; provided that this requirement
13 shall not apply to applicants for class "D" loans who
14 otherwise qualify;
- 15 (3) A sound credit risk with the ability to repay the
16 money borrowed; and
- 17 (4) Willing to carry out recommended farm management
18 practices."

19 SECTION 10. Section 171-14.5, Hawaii Revised Statutes, is
20 amended by amending subsection (b) to read as follows:

21 "(b) Any other law to the contrary notwithstanding, to be
22 eligible to bid in an auction for agricultural or pasture



1 leases, a potential bidder shall be a bona fide individual
2 farmer or a nonindividual farm concern:

- 3 (1) Who has spent not less than two years, full-time, in
4 farming operations;
- 5 (2) Who is an owner-operator of an established farm
6 conducting a substantial farming operation;
- 7 (3) Who for a substantial period of the individual's adult
8 life resided on a farm and depended on farm income for
9 a livelihood;
- 10 (4) Who is an individual who has been a farm tenant or
11 farm laborer or other individual, who has for the two
12 years last preceding the auction obtained the major
13 portion of their income from farming operations;
- 14 (5) Is an individual with a college degree in agriculture;
- 15 (6) Is an individual who by reason of ability, experience,
16 and training as a vocational trainee is likely to
17 successfully operate a farm;
- 18 (7) Who has qualified for and received a commitment for a
19 loan under the Bankhead-Jones Farm Tenant Act as
20 amended, or as may hereafter be amended, for the
21 acquisition of a farm;



- 1 (8) Who is an individual who is displaced from employment
- 2 in an agricultural production enterprise;
- 3 (9) Who is a member of the Hawaii Young Farmer Association
- 4 or a Future Farmer of America graduate with two years
- 5 of training with farming projects;
- 6 (10) Who [~~possesses the qualifications under the~~] is a new
- 7 farmer [~~program pursuant to~~] as defined in section
- 8 155-1; or
- 9 (11) Who possesses other qualifications as the board of
- 10 land and natural resources may prescribe pursuant to
- 11 section 171-6 and this section."

12 SECTION 11. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 12. This Act shall take effect on July 1, 2050.



Report Title:

Agricultural Loans

Description:

Allows for agricultural loans to be administered for livestock biosecurity projects. Modifies new farmer loans and establishes a farm innovation loan program in the Department of Agriculture to promote the development of innovative technologies and to assist new farm enterprises. Effective 7/01/2050. (SD2)

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

