

JAN 24 2013

A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

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

1 SECTION 1. Financial resources are not readily available
2 to those new to farming and those who would like to experiment
3 with new crops or techniques. Lack of capital oftentimes weighs
4 heavy when deciding whether or not to choose farming as a
5 career.

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

13 Enhancements to the new farmer program are being proposed
14 to address these issues and provide incentives to enter into and
15 to continue farming.

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

1 "~~["New farmer [program]"~~" means a new farm enterprise [~~for~~
2 ~~qualified new farmers,~~] or a person, who by reason of ability,
3 experience, and training [~~are~~] is likely to successfully operate
4 a farm and who otherwise [~~meet~~] meets the eligibility
5 requirements of section 155-10 and includes any of the
6 following:

- 7 (1) Persons displaced from employment in an agricultural
8 production enterprise;
- 9 (2) College graduates in agriculture;
- 10 (3) Community college graduates in agriculture;
- 11 (4) Members of the Hawaii Young Farmer Association and
12 National FFA Organization graduates with farming
13 projects;
- 14 (5) Persons who have not less than two years' experience
15 as part-time farmers;
- 16 (6) Graduates from farm trainee programs designed to
17 provide interns with the necessary hands on skills and
18 management training to be able to successfully operate
19 their own farm;
- 20 ~~[(6)]~~ (7) Persons who have been farm tenants or farm
21 laborers; or
- 22 ~~[(7)]~~ (8) Other individuals who have for the two years

1 last preceding their application obtained the major
2 portion of their income from farming operations."

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

5 "§155-3 **Restriction.** Loans provided for by this chapter
6 shall require two credit denials, except for class "F" loans for
7 new farmer and farm innovation programs which shall require one
8 credit denial. New farmer loans for \$100,000 or less for farm
9 trainees and recent college graduates with a degree in
10 agriculture shall have this requirement waived. This
11 requirement may also be waived by the board of agriculture for
12 emergency loans. Credit denials may be accepted from any of the
13 following:

- 14 (1) Private lenders;
15 (2) Members of the farm credit system; or
16 (3) The United States Department of Agriculture."

17 SECTION 4. Section 155-9, Hawaii Revised Statutes, is
18 amended by amending subsection (g) to read as follows:

19 "(g) Class F: [~~Loans for new farmer programs shall provide~~
20 ~~for costs of a new farm enterprise for qualified new farmers.]~~

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

- 22 (1) [~~Initial~~] New farmer loans made under this class shall

1 be for purposes and in accordance with the terms
2 specified in class "A" and "C" only, and shall be made
3 only for full-time farming. The loans shall be made
4 for an amount not to exceed \$250,000 or eighty-five
5 per cent of the cost of the project, whichever is
6 less[+]. Farm trainees and recent graduates with a
7 degree in agriculture with smaller projects requiring
8 loans of \$100,000 or less shall have a minimum five
9 per cent equity contribution towards the cost of the
10 project;

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

17 [~~2~~] (3) Any subsequent loan shall be made from classes
18 "A" to "D", respectively, depending upon the purpose
19 for which the loan funds are used; and

20 [~~3~~] (4) Borrowers shall comply with special term loan
21 agreements as may be required by the department and
22 shall take special training courses as the department

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1 deems necessary."

2 SECTION 5. Statutory material to be repealed is bracketed
3 and stricken. New statutory material is underscored.

4 SECTION 6. This Act shall take effect upon its approval.

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INTRODUCED BY: *Anne Mendoza K.*

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BY REQUEST

S.B. NO. 993

Report Title:

Agricultural Loans; New Farmer Loan Program

Description:

Modifies the new farmer loan program of the Department of Agriculture to promote the development of innovative technologies and to assist new farm enterprises.

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

JUSTIFICATION SHEET

DEPARTMENT: Agriculture

TITLE: A BILL FOR AN ACT RELATING TO AGRICULTURAL LOANS.

PURPOSE: Allows the department of agriculture to provide agricultural loans to new college graduates interested in a career in farming. Also allows agricultural loans for the development of innovative technologies to assist farm enterprises.

MEANS: Amend sections 155-1, 155-3, and 155-9(g), Hawaii Revised Statutes.

JUSTIFICATION: One of the major concerns regarding the sustainability of agriculture in Hawaii is a lack of agricultural entrepreneurs. With the average age of a farm operator in Hawaii being 59 years old, there is a need to encourage a younger generation to take up the reins or risk losing even more of our agricultural operations.

One of the main stumbling blocks for new and existing farmers is the lack of readily available capital for investment to start new operations or to experiment with new crops or techniques. The department wishes to fill this void by amending the existing new farmer program to be able to extend financial assistance to new farmers and to farmers interested in testing new techniques and new crops to make their operations run more efficiently and increase their profitability.

Impact on the public: Would provide low interest loans to new farmers with agricultural training looking to begin their own farming operations. Would also provide loans to farmers intending to experiment

with innovative production techniques and new technologies in order to increase their profitability.

Impact on the department and other agencies:
Would require the department to revise the existing new farmer loan program under the agricultural loan division.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: AGR 101.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.