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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. Financial resources are not readily available  
2 to those new to farming, those who would like to experiment with  
3 new crops or techniques, or those who would like to better  
4 address biosecurity issues on their farm. Lack of capital  
5 oftentimes weighs heavily when deciding whether or not to choose  
6 or continue in farming as a career.

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

14           Hawaii's livestock industry is both economically and  
15 culturally significant with its long paniolo history as well as  
16 providing whole hog carcasses for imus and Chinatown markets.  
17 Livestock operations are susceptible to the introduction of  
18 pests and diseases that can affect the health and welfare of the



1 animals and in some cases may affect the health and well-being  
2 of people who come in contact with the animals or farm products.  
3 Biosecurity measures serve to protect the health of poultry and  
4 livestock from diseases, pests, and pathogens and are  
5 increasingly being required by federal programs to ensure a safe  
6 food supply. While these measures help protect the farm and  
7 consumers, they often do not result in additional profits for  
8 the operation.

9 The purpose of this Act is to establish enhancements in the  
10 agricultural loan program to address these issues and provide  
11 incentives to enter into and to continue farming by:

- 12 (1) Expanding eligibility for the new farmer loan to  
13 include graduates of farm trainee programs;
- 14 (2) Amending eligibility criteria for the new farmer loan  
15 program to provide incentives for graduates of farm  
16 trainee programs and recent recipients of a college  
17 degree in agriculture;
- 18 (3) Amending the purpose of the new farmer loan to include  
19 farm innovation loans for farmers to perform practical  
20 research in farming; and
- 21 (4) Establishing a low interest biosecurity loan program  
22 to assist the livestock industry.



1 SECTION 2. 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:

6 (1) A system that serves to protect the health of  
7 livestock, poultry, and humans from diseases, pests,  
8 and pathogens; and

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

11 2. By amending the definition of "new farmer program" to  
12 read:

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

19 (1) Persons displaced from employment in an agricultural  
20 production enterprise;

21 (2) College graduates in agriculture;

22 (3) Community college graduates in agriculture;



1 (4) Members of the Hawaii Young Farmer Association and  
2 National FFA Organization graduates with farming  
3 projects;

4 (5) Persons who have not less than two years' experience  
5 as part-time farmers;

6 (6) Graduates from farm trainee programs designed to  
7 provide interns with the necessary hands on skills and  
8 management training to successfully operate their own  
9 farm;

10 [~~6~~] (7) Persons who have been farm tenants or farm  
11 laborers; or

12 [~~7~~] (8) Other individuals who have for the two years last  
13 preceding their application [~~have~~] obtained the major  
14 portion of their income from farming operations."

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

17 "**§155-3 Restriction.** Loans [~~provided for~~] authorized by  
18 this chapter shall require two credit denials, except for class  
19 "F" loans for new farmer and farm innovation programs, which  
20 shall require one credit denial. This requirement shall be  
21 waived for new farmer loans for \$100,000 or less for farm  
22 trainees and recent college graduates with a degree in



1 agriculture. This requirement may also be waived by the board  
2 of agriculture for emergency loans. Credit denials may be  
3 accepted from any of the following:

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

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

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

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

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



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

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

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

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



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

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

11 **"§155-9 Classes of loans; purposes, terms, eligibility.**

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



1 loans to any partnership, corporation, or other entity that the  
2 individual has a legal or equitable interest in excess of twenty  
3 per cent shall be taken into account.

4 (b) Class A: Farm ownership and improvement loans shall  
5 provide for:

6 (1) The purchase or improvement of farm land;

7 (2) The purchase, construction, or improvement of adequate  
8 farm dwellings, and other essential farm buildings;  
9 and

10 (3) The liquidation of indebtedness incurred for any of  
11 the foregoing purposes.

12 The loans shall be for an amount not to exceed \$800,000 and  
13 for a term not to exceed forty years. To be eligible, the  
14 applicant shall (A) derive, or present an acceptable plan to  
15 derive, a major portion of the applicant's income from and  
16 devote, or intend to devote, most of the applicant's time to  
17 farming operations; and (B) have or be able to obtain the  
18 operating capital, including livestock and equipment, needed to  
19 successfully operate the applicant's farm.

20 (c) Class B: Soil and water conservation loans shall  
21 provide for:

22 (1) Soil conservation practices;





- 1 (2) Water development, conservation, and use;
- 2 (3) Drainage; and
- 3 (4) The liquidation of indebtedness incurred for any of
- 4 the foregoing purposes.

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

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

- 20 (1) The purchase of farm equipment and livestock;
- 21 (2) The payment of production and marketing expenses,
- 22 including materials, labor, and services;



- 1           (3) The payment of living expenses;
- 2           (4) The liquidation of indebtedness incurred for any of
- 3                 the foregoing purposes; and
- 4           (5) The exportation of crops and livestock.

5           The loans shall be for an amount not to exceed \$800,000 and

6 for a term not to exceed ten years. To be eligible, an

7 applicant shall derive, or present an acceptable plan to derive,

8 a major portion of the applicant's income from and devote, or

9 intend to devote, most of the applicant's time to farming

10 operations.

11           Qualified farmers affected by state eradication programs

12 may also be eligible for loans under this subsection. Loans

13 made for rehabilitation from eradication programs shall be

14 subject to the terms of class "C" loans; provided that the

15 interest rate shall be three per cent a year and the

16 requirements in section 155-3 shall be waived and paragraph (4)

17 shall not apply.

18           (e) Class D: Emergency loans shall be for the purpose of

19 providing relief and rehabilitation to qualified farmers without

20 limit as to purpose:



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

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

18           (f) Class E: Loans to farmers' cooperatives,  
19           corporations, and food manufacturers shall provide credit to  
20           entities engaged in marketing, purchasing, and processing, and  
21           providing farm business services, including:



- 1 (1) Facility loans to purchase or improve land, building,  
2 and equipment for an amount not to exceed \$500,000 and  
3 a term not to exceed twenty years;
- 4 (2) Operating loans to finance inventories of supplies and  
5 materials, warehousing, and shipping commodities,  
6 extension of consumer credit to justified farmer-  
7 members, and other normal operating expenses for an  
8 amount not to exceed \$300,000 and a term not to exceed  
9 seven years; and
- 10 (3) The exportation of crops and livestock.

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

18 To be eligible, a food manufacturer shall be licensed to do  
19 business in the State, and the controlling interest of the  
20 entity shall possess a minimum of two years of relevant  
21 processing or manufacturing experience as acceptable to the  
22 department of agriculture. The entity shall process Hawaii-



1 grown agricultural products or use Hawaii-grown agricultural  
2 products as an ingredient in the manufacturing process.

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

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

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

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

11 (1) [~~Initial~~] New farmer loans made under this class shall  
12 be for purposes and in accordance with the terms  
13 specified in class "A" and "C" only, and shall be made  
14 only for full-time farming. The loans shall be made  
15 for an amount not to exceed \$250,000 or eighty-five  
16 per cent of the cost of the project, whichever is  
17 less[+]. Farm trainees and recent graduates with a  
18 degree in agriculture with smaller projects requiring  
19 loans of \$100,000 or less shall have a minimum five  
20 per cent equity contribution towards the cost of the  
21 project;



1        (2) Farm innovation loans made under this class shall be  
2        for qualified farmers to perform practical research in  
3        crop development, innovative production techniques,  
4        new technologies, and production of new crops that are  
5        not typically grown in the State. Farm innovation  
6        loans shall be limited to a maximum of \$75,000;

7        [~~2~~] (3) Any subsequent loan shall be made from classes  
8        "A" to "D", respectively, depending upon the purpose  
9        for which the loan funds are used; and

10       [~~3~~] (4) Borrowers shall comply with special term loan  
11       agreements as may be required by the department and  
12       shall take special training courses as the department  
13       deems necessary.

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

17       (1) The purchase, construction, and improvement of farm  
18       production and growing structures;

19       (2) The purchase of farm equipment or livestock; and

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



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

5           (i) Class H: Farm sustainable project loans shall provide  
6 for:

- 7           (1) The purchase, construction, or improvement of  
8           essential farm buildings, including the improvement of  
9           existing farm buildings related to the project;
- 10          (2) The improvement of land that may be required by the  
11          project;
- 12          (3) The purchase of equipment and payment of any related  
13          expenses, including materials, labor, and services;
- 14          (4) Operating expenses associated with the project; or
- 15          (5) The liquidation of indebtedness incurred for any of  
16          the foregoing purposes.

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

20          To be eligible, the applicant shall be a qualified farmer  
21 of sound credit rating with the ability to repay the money  
22 borrowed, as determined by the department. Income from the



1 applicant's farming activities and any supplemental income that  
2 may be generated from the project shall be the sole criterion  
3 for the department's determination of the applicant's ability to  
4 repay the money borrowed. The department's determination may be  
5 based on projections of income and expenses.

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

- 7 (1) The purchase, construction, or improvement of  
8 essential farm buildings, including the improvement of  
9 existing farm buildings related to the project;  
10 (2) The improvement of land that may be required by the  
11 project;  
12 (3) The purchase of equipment and payment of any related  
13 expenses, including materials, labor, signage,  
14 training, and services;  
15 (4) Operating expenses associated with the project; or  
16 (5) The liquidation of indebtedness incurred for any of  
17 the foregoing purposes.

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

21 To be eligible, the applicant shall be a qualified farmer  
22 of sound credit rating with the ability to repay the money





1 borrowed, as determined by the department. Income from the  
2 applicant's farming activities and any supplemental income that  
3 may be generated from the project shall be the sole criterion  
4 for the department's determination of the applicant's ability to  
5 repay the money borrowed. The department's determination may be  
6 based on projections of income and expenses."

7 SECTION 9. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9 SECTION 10. This Act shall take effect on July 1, 2050.



**Report Title:**

Agricultural Loans; New Farmer; Farm Innovation; Biosecurity

**Description:**

Expands the Department of Agriculture's agricultural loan program by adding farm innovation and biosecurity loans and expanding the definition of a new farmer. Effective July 1, 2050. (SB993 HD1)

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

