
A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

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

PART I

1
2 SECTION 1. Hawaii's livestock industry is both
3 economically and culturally significant with its long paniolo
4 history as well as providing whole hog carcasses for imus and
5 Chinatown markets. Livestock operations are susceptible to the
6 introduction of pests and diseases that can affect the health
7 and welfare of the animals and in some cases may affect the
8 health and well-being of people who come in contact with the
9 animals or farm products. Biosecurity measures serve to protect
10 the health of poultry and livestock from diseases, pests, and
11 pathogens and are increasingly being required by federal
12 programs to ensure a safe food supply. While these measures
13 help protect the farm and consumers, they often do not result in
14 additional profits for the operation. To help install these
15 vital measures, this Act establishes a low interest biosecurity
16 loan program to assist the livestock industry.



1 SECTION 2. Section 155-1, Hawaii Revised Statutes, is
2 amended by adding a new definition to be appropriately inserted
3 and to read as follows:

4 "Biosecurity" means:

- 5 (1) A system that serves to protect the health of
6 livestock, poultry, and humans from diseases, pests,
7 and pathogens; and
8 (2) Measures that prevent disease-causing agents from
9 entering, spreading, or leaving the farm premises."

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

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

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

19 "(b) Loans guaranteed under this section shall be limited
20 by the provisions of sections 155-9 through 155-13 for purposes
21 of [~~classes~~] class "A" [~~,"B", "C", and "E"~~] through class "I";
22 provided that class "E" loans to food manufacturers shall not be



1 subject to section 155-10. [~~No class "D" and "F" loans shall be~~
2 ~~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 on 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" in this section shall be made only to applicants who meet
17 the eligibility requirements specified therein and except as to
18 class "B" loans to associations and class "E" loans, the
19 eligibility requirements specified in section 155-10. The
20 maximum amount of a loan for class "A", "C", "D", and "F" loans
21 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 purchase, construction, or improvement of adequate
10 farm dwellings, and other essential farm buildings;
11 and

12 (3) The liquidation of indebtedness incurred for any of
13 the foregoing purposes.

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



1 (c) Class B: Soil and water conservation loans shall
2 provide for:

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

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

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



- 1 (1) The purchase of farm equipment and livestock;
- 2 (2) The payment of production and marketing expenses
- 3 including materials, labor, and services;
- 4 (3) The payment of living expenses;
- 5 (4) The liquidation of indebtedness incurred for any of
- 6 the foregoing purposes; and
- 7 (5) The exportation of crops and livestock.

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

14 Qualified farmers affected by state eradication programs
15 may also be eligible for loans under this subsection. Loans
16 made for rehabilitation from eradication programs shall be
17 subject to the terms of class "C" loans; provided that the
18 interest rate shall be three per cent a year and the
19 requirements in section 155-3 shall be waived and paragraph (4)
20 shall not apply.



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

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

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

21 (f) Class E: Loans to farmers' cooperatives,
22 corporations, and food manufacturers shall provide credit to



1 entities engaged in marketing, purchasing, and processing, and
2 providing farm business services, including:

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

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

12 (3) The exportation of crops and livestock.

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

20 To be eligible, a food manufacturer shall be licensed to do
21 business in the State, and the controlling interest of the
22 entity shall possess a minimum of two years of relevant



1 processing or manufacturing experience as acceptable to the
2 department of agriculture. The entity shall process Hawaii-
3 grown agricultural products or use Hawaii-grown agricultural
4 products as an ingredient in the manufacturing process.

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

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

10 (g) Class F: Loans for new farmer programs shall provide
11 for costs of a new farm enterprise for qualified new farmers:

12 (1) Initial loans made under this class shall be for
13 purposes and in accordance with the terms specified in
14 class "A" and "C" only, and shall be made only for
15 full-time farming. The loans shall be made for an
16 amount not to exceed \$250,000 or eighty-five per cent
17 of the cost of the project, whichever is less;

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

21 (3) Borrowers shall comply with special term loan
22 agreements as may be required by the department and



1 shall take special training courses as the department
2 deems necessary.

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

6 (1) The purchase, construction, and improvement of farm
7 production and growing structures;

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 heavily when deciding whether or not to choose farming as a
2 career.

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

10 This part establishes enhancements to the new farmer
11 program to address these issues and provide incentives to enter
12 into and to continue farming.

13 SECTION 9. Section 155-1, Hawaii Revised Statutes, is
14 amended by amending the definition of "new farmer program" to
15 read as follows:

16 "New farmer [~~program~~]" means a new farm enterprise [~~for~~
17 ~~qualified new farmers,~~] or a person, who by reason of ability,
18 experience, and training [~~are~~], is likely to successfully
19 operate a farm and who otherwise [~~meet~~] meets the eligibility
20 requirements of section 155-10 and includes any of the
21 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 from farm trainee programs designed to
11 provide 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 10. 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 farm
4 trainees and recent college graduates with a degree in
5 agriculture. This requirement may also be waived by the board
6 of agriculture for emergency loans. Credit denials may be
7 accepted from any of the following:

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

11 SECTION 11. Section 155-9, Hawaii Revised Statutes, is
12 amended by amending subsection (g) to read as follows:

13 "(g) Class F: [~~Loans for new farmer programs shall~~
14 ~~provide for costs of a new farm enterprise for qualified new~~
15 ~~farmers+]~~ New farmer and farm innovation loan programs shall
16 provide for:

- 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



Report Title:

Agricultural Loans

Description:

Allows for agricultural loans to be administered for livestock biosecurity projects. Modifies the new farmer loan program of the Department of Agriculture to promote the development of innovative technologies and to assist new farm enterprises.
(SD1)

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

