
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 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 2. 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 3. Section 155-5.5, Hawaii Revised Statutes, is
18 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 purposes
3 of classes "A", "B", "C", [~~and "E",~~] "D", "E", "F", "G", "H",
4 and "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 4. 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 5. 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 6. 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 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) 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: New farmer and farm innovation loan programs
14 shall provide for:

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



- 1 \$100,000 or less shall have a minimum five per cent
2 equity contribution towards the cost of the project;
- 3 (2) Farm innovation loans made under this class shall be
4 for qualified farmers to perform practical research in
5 crop development, innovative production techniques,
6 new technologies, and production of new crops that are
7 not typically grown in the State. Farm innovation
8 loans shall be limited to a maximum of \$75,000;
- 9 (3) Any subsequent loan shall be made from classes "A" to
10 "D", respectively, depending upon the purpose for
11 which the loan funds are used; and
- 12 (4) Borrowers shall comply with special term loan
13 agreements as may be required by the department and
14 shall take special training courses as the department
15 deems necessary.
- 16 (h) Class G: Loans to part-time farmers shall be for farm
17 improvement and operating purposes for carrying on and improving
18 farming operations, including loans for:
- 19 (1) The purchase, construction, and improvement of farm
20 production and growing structures;
- 21 (2) The purchase of farm equipment or livestock; and



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

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

7 (i) Class H: Farm sustainable project loans shall provide
8 for:

9 (1) The purchase, construction, or improvement of
10 essential farm buildings, including the improvement of
11 existing farm buildings related to the project;

12 (2) The improvement of land that may be required by the
13 project;

14 (3) The purchase of equipment and payment of any related
15 expenses, including materials, labor, and services;

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

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

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



1 To be eligible, the applicant shall be a qualified farmer
2 of sound credit rating with the ability to repay the money
3 borrowed, as determined by the department. Income from the
4 applicant's farming activities and any supplemental income that
5 may be generated from the project shall be the sole criterion
6 for the department's determination of the applicant's ability to
7 repay the money borrowed. The department's determination may be
8 based on projections of income and expenses.

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

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



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

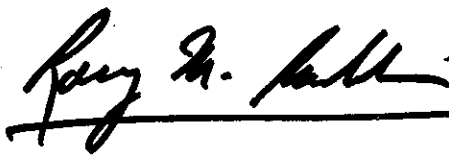
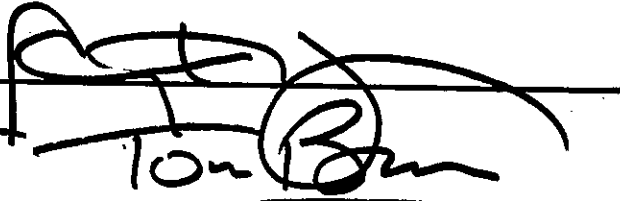
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 7 applicant's farming activities and any supplemental income that
 8 may be generated from the project shall be the sole criterion
 9 for the department's determination of the applicant's ability to
 10 repay the money borrowed. The department's determination may be
 11 based on projections of income and expenses."


12 SECTION 7. Statutory material to be repealed is bracketed
 13 and stricken. New statutory material is underscored.

14 SECTION 8. This Act shall take effect on July 1, 2014.

15

INTRODUCED BY: 

 
 Tony Bon



JAN 17 2014



H.B. NO. 2010

Report Title:

Agricultural Loans; Biosecurity Loans

Description:

Expands the agricultural loan program of the Department of Agriculture by adding biosecurity loans for qualified farmers. Effective July 1, 2014.

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