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# A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

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

SECTION 1. The legislature finds that Hawaii agricultural producers face critical barriers in accessing capital necessary to cover rising land and water costs, labor shortages, and infrastructure needs. Modifications to the state agricultural loan program are needed to address these challenges and encourage farmers and ranchers to expand their current operations. A diverse agricultural sector that includes small and mid-sized farms is essential to Hawaii's food security, economic resilience, and self-sufficiency. Modifications to the state agricultural loan program should ensure equitable access to capital for farmers of all scales, with a focus on enabling sustainable, community-based, and diversified production.

The purpose of this Act is to:

- (1) Lower and fix the state agricultural loan program's interest rates, increase loan limits, and reduce the required number of credit denials;



1           (2) Establish a program for a secured line of credit and  
2           create a new loan initiative to encourage larger scale  
3           agriculture for import replacement and crops grown for  
4           farm to state programs; and

5           (3) Include food hubs as an eligible entity for class E  
6           loans.

7           SECTION 2. Section 155-1, Hawaii Revised Statutes, is  
8           amended by adding two new definitions to be appropriately  
9           inserted and to read as follows:

10           "Import replacement crops" means crops grown on a  
11           large-scale basis in the State with the specific intent to  
12           replace crops imported into the State.

13           "Line of credit" means a secured revolving loan with a  
14           preset credit limit."

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

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



1 recent college graduates with a degree in agriculture. This  
2 requirement may also be waived by the board of agriculture for  
3 emergency loans. Credit denials may be accepted from any of the  
4 following:

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

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

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



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

10 SECTION 5. Section 155-9, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 **"§155-9 Classes of loans; purposes[~~τ~~]; terms[~~τ~~];**  
13 **eligibility.** (a) Loans made under this chapter shall be for  
14 the purposes and in accordance with the terms specified in  
15 classes "A" through [~~"I"~~] "K" in this section and shall be made  
16 only to applicants who meet the eligibility requirements  
17 specified therein and except as to class "B" loans to  
18 associations and class "E" loans, the eligibility requirements  
19 specified in section 155-10. The maximum amount of a loan for  
20 class "A", "C", "D", and "F" loans to an individual applicant  
21 shall also apply to any loan application submitted by a



1 partnership, corporation, or other entity, and for the purpose  
2 of determining whether the maximum loan amount to any individual  
3 will be exceeded, outstanding loans to any partnership,  
4 corporation, or other entity that the individual has a legal or  
5 equitable interest in excess of twenty per cent shall be taken  
6 into account.

7 (b) Class A: Farm ownership and improvement loans shall  
8 provide for:

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

15 The loans shall be for an amount not to exceed [~~\$800,000~~]  
16 \$1,500,000 and for a term not to exceed forty years. To be  
17 eligible, the applicant shall (A) derive, or present an  
18 acceptable plan to derive, a major portion of the applicant's  
19 income from and devote, or intend to devote, most of the  
20 applicant's time to farming operations; and (B) have or be able



1 to obtain the operating capital, including livestock and  
2 equipment, needed to successfully operate the applicant's farm.

3 (c) Class B: Soil and water conservation loans shall  
4 provide for:

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

10 The loans shall be for an amount not to exceed [~~\$35,000~~  
11 \$750,000 to an individual or [~~\$200,000 to~~] an association and  
12 shall be for a term not to exceed twenty years for a loan to an  
13 individual and forty years to an association. To be eligible,  
14 an individual applicant shall have sufficient farm and other  
15 income to pay for farm operating and living expenses and to meet  
16 payments on applicant's existing debts, including the proposed  
17 soil and water conservation loan. An association, to be  
18 eligible, shall be a nonprofit organization primarily engaged in  
19 extending services directly related to the purposes of the loan  
20 to its members, and at least sixty per cent of its membership



1 shall meet the eligibility requirements specified in section  
2 155-10.

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

6 (1) The purchase of farm equipment and livestock;

7 (2) The payment of production and marketing expenses,  
8 including materials, labor, and services;

9 (3) The payment of living expenses;

10 (4) The liquidation of indebtedness incurred for any of  
11 the foregoing purposes; and

12 (5) The exportation of crops and livestock.

13 The loans shall be for an amount not to exceed [~~\$800,000~~]  
14 \$1,500,000 and for a term not to exceed ten years. To be  
15 eligible, an applicant shall derive, or present an acceptable  
16 plan to derive, a major portion of the applicant's income from  
17 and devote, or intend to devote, most of the applicant's time to  
18 farming operations.

19 Qualified farmers affected by state eradication programs  
20 may also be eligible for loans under this subsection. Loans  
21 made for rehabilitation from eradication programs shall be



1 subject to the terms of class "C" loans; provided that the  
2 interest rate shall be three per cent a year and the  
3 requirements in section 155-3 shall be waived and paragraph (4)  
4 shall not apply.

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

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

19 The maximum amounts and period for the loans shall be  
20 determined by the board of agriculture; provided that the board  
21 shall require that any settlement or moneys received by





1 qualified farmers as a result of an emergency declared under  
2 this section shall first be applied to the repayment of an  
3 emergency loan made under this chapter.

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

8 (1) Facility loans to purchase or improve land, building,  
9 and equipment for an amount not to exceed [~~\$500,000~~]  
10 \$1,500,000 and a term not to exceed twenty years;

11 (2) Operating loans to finance inventories of supplies and  
12 materials, warehousing, and shipping commodities[~~7~~];  
13 extension of consumer credit to justified  
14 farmer-members[~~7~~]; and other normal operating expenses  
15 for an amount not to exceed [~~\$300,000~~] \$750,000 and a  
16 term not to exceed seven years; and

17 (3) The exportation of crops and livestock.

18 To be eligible, a farmers' cooperative or corporation shall  
19 have a majority of its board of directors and a majority of its  
20 membership as shareholders who meet the eligibility requirements  
21 of section 155-10 and who devote most of their time to farming



1 operations, and the facility loans shall be for an amount not to  
2 exceed [~~\$500,000~~] \$1,500,000 or [~~eighty~~] eighty-five per cent of  
3 the cost of the project, whichever is less.

4 To be eligible, a food hub shall have a majority of its  
5 board of directors and a majority of its membership as  
6 shareholders who meet the eligibility requirements of section  
7 155-10 and who devote most of their time to farming operations.  
8 For the purposes of this section, "food hub" means a business or  
9 organization that actively manages the aggregation,  
10 distribution, and marketing of source-identified food products  
11 primarily from local and regional producers to strengthen their  
12 ability to satisfy wholesale, retail, and institutional demand.

13 To be eligible, a food manufacturer shall be licensed to do  
14 business in the State, and the controlling interest of the  
15 entity shall possess a minimum of two years of relevant  
16 processing or manufacturing experience as acceptable to the  
17 department of agriculture. The entity shall process  
18 Hawaii-grown agricultural products or use Hawaii-grown  
19 agricultural products as an ingredient in the manufacturing  
20 process. Facility loans shall be for an amount not to exceed  
21 [~~\$500,000~~] \$1,500,000 or [~~eighty~~] eighty-five per cent of the



1 cost of the project, whichever is less. The requirements in  
2 section 155-10 shall be waived for food manufacturing loans;  
3 however, the entity shall be a sound credit risk with the  
4 ability to repay the money borrowed.

5 (g) Class F: New farmer and farm innovation loan programs  
6 shall provide for:

7 (1) New farmer loans made under this class shall be [~~for~~  
8 ~~purposes and~~] in accordance with the terms specified  
9 in class "A" and "C" [~~only, and shall be made only for~~  
10 ~~full-time farming.~~] loans. The loans shall be made  
11 for an amount not to exceed [~~\$250,000~~] \$750,000 or  
12 eighty-five per cent of the cost of the project,  
13 whichever is less. Farm trainees and recent graduates  
14 with a degree in agriculture with smaller projects  
15 requiring loans of \$100,000 or less shall have a  
16 minimum five per cent equity contribution towards the  
17 cost of the project;

18 (2) Farm innovation loans made under this class shall be  
19 for qualified farmers to perform practical research in  
20 crop development, innovative production techniques,  
21 new technologies, and production of new crops that are



1 not typically grown in the State. Farm innovation  
2 loans shall be limited to a maximum of \$75,000;

3 (3) Any subsequent loan shall be made from classes "A" to  
4 "D", respectively, depending upon the purpose for  
5 which the loan funds are used; and

6 (4) Borrowers shall comply with special term loan  
7 agreements as may be required by the department and  
8 shall take special training courses as the department  
9 deems necessary.

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

13 (1) The purchase, construction, and improvement of farm  
14 production and growing structures;

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

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

18 The liquidation of indebtedness incurred for any of the  
19 purposes under this subsection and for living expenses shall not  
20 be authorized purposes. Each loan shall be for an amount not to



1 exceed [~~\$25,000~~] \$750,000 and for a term not to exceed ten  
2 years.

3 (i) Class H: Farm sustainable project loans shall provide  
4 for:

5 (1) The purchase, construction, or improvement of  
6 essential farm buildings, including the improvement of  
7 existing farm buildings related to the project;

8 (2) The improvement of land that may be required by the  
9 project;

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

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

13 (5) The liquidation of indebtedness incurred for any of  
14 the foregoing purposes.

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

18 To be eligible, the applicant shall be a qualified farmer  
19 of sound credit rating with the ability to repay the money  
20 borrowed, as determined by the department. Income from the  
21 applicant's farming activities and any supplemental income that



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

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

6 (1) The purchase, construction, or improvement of  
7 essential farm buildings, including the improvement of  
8 existing farm buildings related to the project;

9 (2) The improvement of land that may be required by the  
10 project;

11 (3) The purchase of equipment and payment of any related  
12 expenses, including materials, labor, signage,  
13 training, 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 \$1,000,000  
18 or eighty-five per cent of the project cost, whichever is less,  
19 and for a term not to exceed twenty-five years.

20 To be eligible, the applicant shall be a qualified farmer  
21 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 (k) Class J: Line of credit loans shall provide revolving  
8 credit for farm operational expenses and to improve farm  
9 operations. Funds from the line of credit shall not be used for  
10 personal expenses or non-farm related purposes.

11 A line of credit secured by chattel, crops, or equipment  
12 shall not exceed \$100,000 or eighty-five per cent of the  
13 collateral valuation, whichever is less, and for a term not to  
14 exceed five years. A line of credit secured by real property  
15 shall not exceed \$250,000 or eighty-five per cent of the  
16 collateral valuation, whichever is less, and for a term not to  
17 exceed ten years.

18 To be eligible, the applicant shall be a qualified farmer  
19 of sound credit rating with the ability to repay the money  
20 borrowed, as determined by the department. The interest rate  
21 for lines of credit shall be the same rate provided in section



1 155-8. A borrower may access funds from a line of credit at any  
2 time during the term of a loan; provided that the borrower does  
3 not exceed the maximum credit limit and the account is in good  
4 standing.

5 (1) Class K: Import replacement loans shall provide  
6 credit for farm expansion to grow import replacement crops or to  
7 fund crops grown for the farm to state program established under  
8 section 27-8. Loans made under this class shall be for the  
9 purposes specified in class "A" and class "C", and terms shall  
10 be determined by the primary purpose of the loan funds. Loans  
11 for crops grown for the farm to state program shall have written  
12 commitments from the appropriate state agency. Import  
13 replacement crops shall be of sufficient scale to impact  
14 regional, island wide, or statewide markets.

15 Loans shall be for an amount not to exceed \$2,500,000 and  
16 for a term not to exceed ten years.

17 To be eligible, the applicant shall be a qualified farmer  
18 of sound credit rating with the ability to repay the money  
19 borrowed, as determined by the department. Interest rates for  
20 this class shall be three per cent per year."





- 1       SECTION 6. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.  
3       SECTION 7. This Act shall take effect on July 1, 2025.



**Report Title:**

Department of Agriculture; Agricultural Loan Program; Loan Limits; Interest Rates; Credit Denials; Line of Credit; Import Replacement Loans

**Description:**

Updates the Agricultural Loan Program by lowering and fixing interest rates, increasing and standardizing loan limits, and reducing the number of credit denials. Includes food hubs as an eligible entity for Class E loans. Authorizes the Agricultural Loan Program to issue lines of credit. Creates a new class of loans to encourage large scale agriculture of import replacement crops or crops grown for the farm to state program. (CD1)

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