
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 amending the definition of "new farmer program" to
3 read as follows:

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

10 (1) Persons displaced from employment in an agricultural
11 production enterprise;

12 (2) College graduates in agriculture;

13 (3) Community college graduates in agriculture;

14 (4) Members of the Hawaii Young Farmer Association and
15 National FFA Organization graduates with farming
16 projects;

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



1 (6) Graduates from farm trainee programs designed to
2 provide interns with the necessary hands-on skills and
3 management training to be able to successfully operate
4 their own farm;

5 [~~6~~] (7) Persons who have been farm tenants or farm
6 laborers; or

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

10 SECTION 2. Section 155-3, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§155-3 Restriction.** Loans provided for by this chapter
13 shall require two credit denials, except for class "F" loans for
14 new farmer and farm innovation programs which shall require one
15 credit denial~~[-]~~; provided that the board of agriculture shall
16 waive the credit denial requirement for new farmer loans for
17 \$ _____ or less for graduates of farm trainee programs and
18 recent college graduates with a degree in agriculture. This
19 requirement may also be waived by the board of agriculture for
20 emergency loans. Credit denials may be accepted from any of the
21 following:

22 (1) Private lenders;



1 (2) Members of the farm credit system; or

2 (3) The United States Department of Agriculture."

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

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

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

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

18 SECTION 5. Section 155-6, Hawaii Revised Statutes, is
19 amended by amending subsection (b) to read as follows:

20 "(b) Participating loans under this section shall be
21 limited by sections 155-9 to 155-13 for purposes of class "A"
22 through class [~~"F";~~] "I", the department's share not to exceed



1 the maximum amounts specified therefor; provided that class "E"
2 loans to food manufacturers shall not be subject to section 155-
3 10."

4 SECTION 6. Section 155-8, Hawaii Revised Statutes, is
5 amended by amending subsection (c) to read as follows:

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



1 above or one per cent over the cost to the State of borrowing
2 the money, whichever is greater. Interest on loans made under
3 this chapter shall not be less than three per cent a year."

4 SECTION 7. Section 155-9, Hawaii Revised Statutes, is
5 amended to read as follows:

6 **"§155-9 Classes of loans; purposes, terms, eligibility.**

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

21 (b) Class A: Farm ownership and improvement loans shall
22 provide for[+]



- 1 ~~(1) The purchase or improvement of farm land;~~
- 2 ~~(2) The] infrastructure improvements, including the~~
- 3 purchase, construction, or improvement of farm land,
- 4 adequate farm dwellings, and other essential farm
- 5 buildings; and
- 6 ~~(3) ~~The]~~ the liquidation of indebtedness incurred for any~~
- 7 of the foregoing purposes.

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

9 for a term not to exceed forty years. To be eligible, the

10 applicant shall [~~(A) derive,~~]:

- 11 (1) Derive, or present an acceptable plan to derive, a
- 12 major portion of the applicant's income from and
- 13 devote, or intend to devote, most of the applicant's
- 14 time to farming operations; and [~~(B) have]~~
- 15 (2) Have or be able to obtain the operating capital,
- 16 including livestock and equipment, needed to
- 17 successfully operate the applicant's farm.

18 (c) Class B: Soil and water conservation loans shall

19 provide for:

- 20 (1) Soil conservation practices;
- 21 (2) Water development, conservation, and use;
- 22 (3) Drainage; and

1 (4) The liquidation of indebtedness incurred for any of
2 the foregoing purposes.

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

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

- 18 (1) The purchase of [~~farm equipment and~~] livestock;
19 (2) The payment of production and marketing expenses,
20 including materials, labor, and services;
21 (3) The payment of living expenses;



- 1 (4) Infrastructure and infrastructure improvements,
- 2 including the purchase of farm equipment;
- 3 [~~4~~] (5) The liquidation of indebtedness incurred for any
- 4 of the foregoing purposes; and
- 5 [~~5~~] (6) The exportation of crops and livestock.

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

12 Qualified farmers affected by state eradication programs
 13 may also be eligible for loans under this subsection. Loans
 14 made for rehabilitation from eradication programs shall be
 15 subject to the terms of class "C" loans; provided that the
 16 interest rate shall be three per cent a year and the
 17 requirements in section 155-3 shall be waived and paragraph
 18 [~~4~~] (5) shall not apply.

19 (e) Class D: Emergency loans shall be for the purpose of
 20 providing relief and rehabilitation to qualified farmers without
 21 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 for infrastructure and infrastructure
2 improvements. This includes loans to purchase or
3 improve land, [~~building,~~] buildings, and equipment for
4 an amount not to exceed \$500,000 and a term not to
5 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 The following positions apply to new farmer and farm innovation
13 loan programs:

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



1 \$ _____ or less shall have a minimum five per cent
2 equity contribution towards the cost of the project;

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

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

12 ~~[(+3)]~~ (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]~~ Infrastructure and infrastructure improvements,
20 including the purchase, construction, and improvement
21 of farm production and growing structures~~+~~ and
22 equipment;



- 1 (2) The purchase of [~~farm equipment or~~] livestock; and
- 2 (3) The payment of production and marketing expenses,
- 3 including materials, labor, and services.

4 The liquidation of indebtedness incurred for any of the

5 purposes under this subsection and for living expenses shall not

6 be authorized purposes. Each loan shall be for an amount not to

7 exceed \$25,000 and for a term not to exceed ten years.

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

9 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, and services;
- 17 (4) Operating expenses associated with the project; or
- 18 (5) The liquidation of indebtedness incurred for any of
- 19 the foregoing purposes.

20 The loans shall be for an amount not to exceed \$1,500,000

21 or eighty-five per cent of the project cost, whichever is less,

22 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 set forth in paragraphs (1) to (4).



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

4 To be eligible, the applicant shall be a qualified farmer
5 of sound credit rating with the ability to repay the money
6 borrowed, as determined by the department. Income from the
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 For purposes of this subsection, "biosecurity" means a
13 system that serves to protect the health of livestock, poultry,
14 and humans from diseases, pests, and pathogens and measures that
15 prevent disease causing agents from entering, spreading, or
16 leaving the farm premises."

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

19 "**§155-10 General eligibility requirements for loans.** To
20 be eligible for loans under this chapter, an applicant shall be:



- 1 (1) A qualified farmer, a person [~~under the new farmer~~
2 ~~program,~~] qualifying as a new farmer pursuant to
3 section 155-1, or a part-time farmer;
- 4 (2) A citizen of the United States who has resided in the
5 State for at least three years, or any permanent
6 resident alien who has resided in the State for at
7 least three years; provided that this requirement
8 shall not apply to applicants for class "D" loans who
9 otherwise qualify;
- 10 (3) A sound credit risk with the ability to repay the
11 money borrowed; and
- 12 (4) Willing to carry out recommended farm management
13 practices."

14 SECTION 9. Section 171-14.5, Hawaii Revised Statutes, is
15 amended by amending subsection (b) to read as follows:

16 "(b) Any other law to the contrary notwithstanding, to be
17 eligible to bid in an auction for agricultural or pasture
18 leases, a potential bidder shall be a bona fide individual
19 farmer or a nonindividual farm concern:

- 20 (1) Who has spent not less than two years, full-time, in
21 farming operations;



- 1 (2) Who is an owner-operator of an established farm
2 conducting a substantial farming operation;
- 3 (3) Who for a substantial period of the individual's adult
4 life resided on a farm and depended on farm income for
5 a livelihood;
- 6 (4) Who is an individual who has been a farm tenant or
7 farm laborer or other individual, who has for the two
8 years last preceding the auction obtained the major
9 portion of their income from farming operations;
- 10 (5) Is an individual with a college degree in agriculture;
- 11 (6) Is an individual who by reason of ability, experience,
12 and training as a vocational trainee is likely to
13 successfully operate a farm;
- 14 (7) Who has qualified for and received a commitment for a
15 loan under the Bankhead-Jones Farm Tenant Act as
16 amended, or as may hereafter be amended, for the
17 acquisition of a farm;
- 18 (8) Who is an individual who is displaced from employment
19 in an agricultural production enterprise;
- 20 (9) Who is a member of the Hawaii Young Farmer Association
21 or a Future Farmer of America graduate with two years
22 of training with farming projects;



1 (10) Who [~~possesses the qualifications under the~~] qualifies
2 as a new farmer [~~program~~] pursuant to section 155-1;
3 or

4 (11) Who possesses other qualifications as the board of
5 land and natural resources may prescribe pursuant to
6 section 171-6 and this section."

7 SECTION 10. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 11. This Act shall take effect on July 1, 2050.



Report Title:

Agricultural Loans

Description:

Expands the Department of Agriculture Agricultural Loan Program to provide loans for infrastructure, infrastructure improvements, the implementation of new farming techniques, and biosecurity projects. Effective July 1, 2050. (HB1264 HD2)

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

