
A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

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

1 SECTION 1. Hawaii's agricultural industry continues to
2 struggle, the 2017 census reports that eighty-eight per cent of
3 Hawaii farms have a gross value of production of less than
4 \$50,000 annually. High land costs along with the current rising
5 inflation has significantly increased costs for farmers and with
6 the rising interest rates makes it very difficult for beginning
7 farmers as well as existing farmers to obtain financing. If
8 Hawaii is to become more self-sufficient in food production and
9 less reliant on imported products, it will need to assist the
10 existing farming community and encourage new entrepreneurs to
11 enter the industry. Access to affordable credit will encourage
12 new entrepreneurs to enter the field and help existing farmers
13 to maintain their operations.

14 The purpose of this Act is to reduce and set fixed interest
15 rates for loans under the agricultural loan program.

16 SECTION 2. Section 155-8, Hawaii Revised Statutes, is
17 amended by amending subsection (c) to read as follows:

18 "(c) Loans made under this section shall bear simple

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1 interest on the unpaid principal balance, charged on the actual
2 amount disbursed to the borrower. The interest rate on loans of
3 class "A", "B", "C", "E", and "G" shall be [~~at a rate of one per~~
4 ~~cent below the prime rate or~~] set at a rate of [~~seven and one-~~
5 ~~half~~] four per cent a year[~~, whichever is less~~]. [~~For purposes~~
6 ~~of this subsection, the prime rate shall be determined on~~
7 ~~January 1 and July 1 of each year, and shall be the prime rate~~
8 ~~charged by the two largest banks in the State identified by the~~
9 ~~department of commerce and consumer affairs. If the prime rates~~
10 ~~of the two largest banks are different, the lower prime rate of~~
11 ~~the two shall apply.~~] The interest rate of class "F" loans
12 shall be set at a [~~rate of one and one half per cent below the~~
13 ~~prime rate or at a~~] rate of [~~six~~] three per cent a year[~~,~~
14 ~~whichever is less~~]. The interest rate of class "H" and "I"
15 loans shall be three per cent a year. If the money loaned is
16 borrowed by the department, then the interest on loans of the
17 classes shall be the rate as determined above or one per cent
18 over the cost to the State of borrowing the money, whichever is
19 greater. Interest on loans made under this chapter shall not be
20 less than [~~three~~] two per cent a year."

21 SECTION 3. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.

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1 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: _____

Jan

4

BY REQUEST

JAN 22 2024

H.B. NO. 2335

Report Title:

Agricultural Loan; Interest rates; Department of Agriculture

Description:

Reduces and sets fixed interest rates for loans under the Agricultural Loan Program.

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

JUSTIFICATION SHEET

DEPARTMENT: Department of Agriculture

TITLE: RELATING TO AGRICULTURAL LOANS.

PURPOSE: To reduce and set fixed interest rates for loans under the Agricultural Loan Program.

MEANS: Amend sections 155-8(c), Hawaii Revised Statutes (HRS).

JUSTIFICATION: Section 155-8, HRS, currently requires the interest rates for agricultural loans to be determined every 6 months and sets the maximum and minimum rates that may be charged.

This bill will lower interest rates for agricultural loans to benefit farmers, ranchers, and the agricultural industry. It will also set interest rates for agricultural loans, thereby eliminating confusion and inequity for borrowers based on when they received approval for their loans.

In times of emergency, the bill would provide the Board of Agriculture with the authority to utilize the lowest rate of two percent for emergency loans. During emergency, affordable capital is critical in helping Hawaii's farm operations recover from natural disasters and epidemics.

Impact on the public: The lower fixed interest rates will assist the farming and ranching industries by making the state agricultural financing more affordable and easier to create cash flow. These industries make available fresh locally grown produce, pork, beef, and eggs for the general public. They also diversify the State's economy as well as providing employment opportunities, bringing in out-of-state revenues, and investing capital in the local economy.

Impact on the department and other agencies:
The lower fixed interest rates may increase the demand for agricultural loans provided by the department. No impact is anticipated for other agencies.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: AGR 101.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.