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# A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

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

1           SECTION 1. The Legislature finds that Hawaii agricultural  
2 producers face critical barriers in accessing capital necessary  
3 to cover rising land and water costs, labor shortages, and  
4 infrastructure needs. Modifications to the state agricultural  
5 loan program are needed to address these challenges and  
6 encourage farmers and ranchers to expand their current  
7 operations. Larger scale agriculture operations are more  
8 efficient and better able to compete with imported products and  
9 assist the State in becoming more self-sufficient in food  
10 production.

11           The purpose of this Act is to:

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

15           (2) Establish a program for a secured line of credit and  
16 create a new loan initiative to encourage larger scale



1 agriculture for import replacement and crops grown for  
2 farm to state programs; and

3 (3) Appropriate funds to meet the anticipated increase in  
4 loan demand and to accommodate the increased loan  
5 limits.

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

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

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

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

16 **"§155-3 Restriction.** Loans authorized by this chapter  
17 shall require [~~two credit denials, except for class "F" loans~~  
18 ~~for new farmer and farm innovation programs, which shall~~  
19 ~~require~~] one credit denial. This requirement shall be waived  
20 for new farmer loans for \$100,000 or less for farm trainees and  
21 recent college graduates with a degree in agriculture. This



1 requirement may also be waived by the board of agriculture for  
2 emergency loans. Credit denials may be accepted from any of the  
3 following:

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

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

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



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

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

11 **"§155-9 Classes of loans; purposes, terms, eligibility.**

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



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

5 (b) Class A: Farm ownership and improvement loans shall  
6 provide for:

7 (1) The purchase or improvement of farm land;

8 (2) The purchase, construction, or improvement of adequate  
9 farm dwellings, and other essential farm buildings;

10 and

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

13 The loans shall be for an amount not to exceed [~~\$800,000~~]  
14 \$1,500,000 and for a term not to exceed forty years. To be  
15 eligible, the applicant shall (A) derive, or present an  
16 acceptable plan to derive, a major portion of the applicant's  
17 income from and devote, or intend to devote, most of the  
18 applicant's time to farming operations; and (B) have or be able  
19 to obtain the operating capital, including livestock and  
20 equipment, needed to 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~~  
9 \$750,000 to an individual or [~~\$200,000 to~~] an association and  
10 shall be for a term not to exceed twenty years for a loan to an  
11 individual and forty years to an association. To be eligible,  
12 an individual applicant shall have sufficient farm and other  
13 income to pay for farm operating and living expenses and to meet  
14 payments on applicant's existing debts, including the proposed  
15 soil and water conservation loan. An association, to be  
16 eligible, shall be a nonprofit organization primarily engaged in  
17 extending services directly related to the purposes of the loan  
18 to its members, and at least sixty per cent of its membership  
19 shall meet the eligibility requirements specified in section  
20 155-10.



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~~]  
12 \$1,500,000 and for a term not to exceed ten years. To be  
13 eligible, an applicant shall derive, or present an acceptable  
14 plan to derive, a major portion of the applicant's income from  
15 and devote, or intend to devote, most of the applicant's time to  
16 farming 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



1 this section shall first be applied to the repayment of an  
2 emergency loan made under this chapter.

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

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

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

16 (3) The exportation of crops and livestock.

17 To be eligible, a farmers' cooperative or corporation shall  
18 have a majority of its board of directors and a majority of its  
19 membership as shareholders who meet the eligibility requirements  
20 of section 155-10 and who devote most of their time to farming  
21 operations, and the facility loans shall be for an amount not to



1 exceed [~~\$500,000~~] \$1,500,000 or [~~eighty~~] eighty-five per cent of  
2 the cost of the project, whichever is less.

3 To be eligible, a food manufacturer shall be licensed to do  
4 business in the State, and the controlling interest of the  
5 entity shall possess a minimum of two years of relevant  
6 processing or manufacturing experience as acceptable to the  
7 department of agriculture. The entity shall process  
8 Hawaii-grown agricultural products or use Hawaii-grown  
9 agricultural products as an ingredient in the manufacturing  
10 process. Facility loans shall be for an amount not to exceed  
11 [~~\$500,000~~] \$1,500,000 or [~~eighty~~] eighty-five per cent of the  
12 cost of the project, whichever is less. The requirements in  
13 section 155-10 shall be waived for food manufacturing loans;  
14 however, the entity shall be a sound credit risk with the  
15 ability to repay the money borrowed.

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

18 (1) New farmer loans made under this class shall be [~~for~~  
19 ~~purposes and~~] in accordance with the terms specified  
20 in class "A" and "C" [~~only, and shall be made only for~~  
21 ~~full-time farming.~~] loans. The loans shall be made



1 for an amount not to exceed [~~\$250,000~~] \$750,000 or  
2 eighty-five per cent of the cost of the project,  
3 whichever is less. Farm trainees and recent graduates  
4 with a degree in agriculture with smaller projects  
5 requiring loans of \$100,000 or less shall have a  
6 minimum five per cent equity contribution towards the  
7 cost of the project;

8 (2) Farm innovation loans made under this class shall be  
9 for qualified farmers to perform practical research in  
10 crop development, innovative production techniques,  
11 new technologies, and production of new crops that are  
12 not typically grown in the State. Farm innovation  
13 loans shall be limited to a maximum of \$75,000;

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

17 (4) Borrowers shall comply with special term loan  
18 agreements as may be required by the department and  
19 shall take special training courses as the department  
20 deems necessary.



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

- 4 (1) The purchase, construction, and improvement of farm  
5 production and growing structures;
- 6 (2) The purchase of farm equipment or livestock; and
- 7 (3) The payment of production and marketing expenses,  
8 including materials, labor, and services.

9 The liquidation of indebtedness incurred for any of the  
10 purposes under this subsection and for living expenses shall not  
11 be authorized purposes. Each loan shall be for an amount not to  
12 exceed [~~\$25,000~~] \$750,000 and for a term not to exceed ten  
13 years.

14 (i) Class H: Farm sustainable project loans shall provide  
15 for:

- 16 (1) The purchase, construction, or improvement of  
17 essential farm buildings, including the improvement of  
18 existing farm buildings related to the project;
- 19 (2) The improvement of land that may be required by the  
20 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;



- 1 (2) The improvement of land that may be required by the  
2 project;
- 3 (3) The purchase of equipment and payment of any related  
4 expenses, including materials, labor, signage,  
5 training, and services;
- 6 (4) Operating expenses associated with the project; or
- 7 (5) The liquidation of indebtedness incurred for any of  
8 the foregoing purposes.

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

12 To be eligible, the applicant shall be a qualified farmer  
13 of sound credit rating with the ability to repay the money  
14 borrowed, as determined by the department. Income from the  
15 applicant's farming activities and any supplemental income that  
16 may be generated from the project shall be the sole criterion  
17 for the department's determination of the applicant's ability to  
18 repay the money borrowed. The department's determination may be  
19 based on projections of income and expenses.



1        (k) Class J: Line of credit loans shall provide revolving  
2 credit for farm operational expenses and to improve farm  
3 operations; provided that:

4        (1) A line of credit secured by chattel, crops, or  
5 equipment shall not exceed \$100,000 or eighty-five per  
6 cent of the collateral valuation, whichever is less,  
7 and for a term not to exceed five years; and

8        (2) A line of credit secured by real property shall not  
9 exceed \$250,000 or eighty-five per cent of the  
10 collateral valuation, whichever is less, and for a  
11 term not to exceed ten years.

12 Funds from the line of credit shall not be used for personal  
13 expenses or non-farm related purposes.

14        To be eligible, the applicant shall be a qualified farmer  
15 of sound credit rating with the ability to repay the money  
16 borrowed, as determined by the department. A borrower shall be  
17 entitled to access funds from a line of credit at any time  
18 during the term of a loan provided that the borrower does not  
19 exceed the maximum credit limit and the account is in good  
20 standing. The interest rate for lines of credit shall be the  
21 same rate provided in section 155-8.



1       (1) Class K: Import replacement loans shall provide  
2 credit for farm expansion to grow import replacement crops or to  
3 fund crops grown for the farm to state program established under  
4 section 27-8. Loans made under this class shall be for the  
5 purposes specified in class "A" and class "C" and terms shall be  
6 determined by the primary purpose of the loan funds. Loans  
7 shall be for an amount not to exceed \$2,500,000 and for a term  
8 not to exceed ten years; provided that:

9       (1) Loans for crops grown for the farm to state shall have  
10 written commitments from the appropriate state agency;  
11 and  
12 (2) Import replacement crops shall be of sufficient scale  
13 to impact regional, island wide, or statewide markets.

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

18       SECTION 6. There is appropriated out of the general  
19 revenues of the State of Hawaii the sum of \$                    or so  
20 much thereof as may be necessary for fiscal year 2025-2026 to be  
21 deposited into the agricultural loan revolving fund.



1 SECTION 7. There is appropriated out of the agricultural  
2 loan revolving fund the sum of \$ or so much thereof as  
3 may be necessary for fiscal year 2025-2026 for funding  
4 agricultural loans.

5 The sum appropriated shall be expended by the department of  
6 agriculture for the purposes of this Act.

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

9 SECTION 9. This Act shall take effect upon its approval.

10



**Report Title:**

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

**Description:**

Updates the Agricultural Loan Program by lowering interest rates, increasing and standardizing loan limits, and reducing the number of credit denials. Authorizes the Program to issue lines of credit. Creates a new class of loans to encourage large scale agriculture of import replacement crops grown for the Farm to State Program. Appropriates funds into and out of the Agricultural Loan Revolving Fund. (SD1)

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