

ACT 201

S.B. NO. 993

A Bill for an Act Relating to Agricultural Loans.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Financial resources are not readily available to those new to farming or those who would like to experiment with new crops or techniques. Lack of capital oftentimes weighs heavily when deciding whether or not to choose or continue in farming as a career.

With the average age of the farm operator in Hawaii being fifty-nine years old, there is a need to encourage the younger generations to take over existing farms or start their own farms. Capital is also needed for farmers to be able to

test new techniques and new crops in order to make their operations run more efficiently and thus be better able to survive foreign and mainland competition.

The purpose of this Act is to establish enhancements in the agricultural loan program to address these issues and provide incentives to enter into and to continue farming by:

- (1) Expanding eligibility for the new farmer loan to include graduates of farm trainee programs;
- (2) Amending eligibility criteria for the new farmer loan program to provide incentives for graduates of farm trainee programs and recent recipients of a college degree in agriculture; and
- (3) Amending the purpose of the new farmer loan to include farm innovation loans for farmers to perform practical research in farming.

SECTION 2. Section 155-1, Hawaii Revised Statutes, is amended by amending the definition of "new farmer program" to read as follows:

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

- (1) Persons displaced from employment in an agricultural production enterprise;
- (2) College graduates in agriculture;
- (3) Community college graduates in agriculture;
- (4) Members of the Hawaii Young Farmer Association and National FFA Organization graduates with farming projects;
- (5) Persons who have not less than two years' experience as part-time farmers;
- (6) Graduates from farm trainee programs designed to provide interns with the necessary hands on skills and management training to successfully operate their own farm;
- ~~(7)~~ (7) Persons who have been farm tenants or farm laborers; or
- ~~(8)~~ (8) Other individuals who have for the two years last preceding their application ~~[have]~~ obtained the major portion of their income from farming operations.”

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

“§155-3 Restriction. Loans ~~[provided for]~~ authorized by this chapter shall require two credit denials, except for class “F” loans for new farmer and farm innovation programs, which shall require one credit denial. This requirement shall be waived for new farmer loans for \$100,000 or less for farm trainees and recent college graduates with a degree in agriculture. This requirement may also be waived by the board of agriculture for emergency loans. Credit denials may be accepted from any of the following:

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

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

~~“(g) Class F: [Loans for new farmer programs shall provide for costs of a new farm enterprise for qualified new farmers;] New farmer and farm innovation loan programs shall provide for:~~

- (1) [~~Initial~~] New farmer loans made under this class shall be for purposes and in accordance with the terms specified in class “A” and “C” only, and shall be made only for full-time farming. The loans shall be made for an amount not to exceed \$250,000 or eighty-five per cent of the cost of the project, whichever is ~~less~~[.]. Farm trainees and recent graduates with a degree in agriculture with smaller projects requiring loans of \$100,000 or less shall have a minimum five per cent equity contribution towards the cost of the project;
- (2) Farm innovation loans made under this class shall be for qualified farmers to perform practical research in crop development, innovative production techniques, new technologies, and production of new crops that are not typically grown in the State. Farm innovation loans shall be limited to a maximum of \$75,000;
- [~~2~~] (3) Any subsequent loan shall be made from classes “A” to “D”, respectively, depending upon the purpose for which the loan funds are used; and
- [~~3~~] (4) Borrowers shall comply with special term loan agreements as may be required by the department and shall take special training courses as the department deems necessary.”

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect on July 1, 2013.

(Approved June 26, 2013.)