

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Agriculture

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BILL: CS/SB 1804

INTRODUCER: Committee on Agriculture and Senator Albritton

SUBJECT: Emergency Loans for Agricultural Producers

DATE: March 19, 2019

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Becker	Becker	AG	Fav/CS
2.			AP	

**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/SB 1804 transfers the Agricultural Economic Development Program from the Department of Agriculture and Consumer Services (DACS) to the Division of Emergency Management (division) and makes a number of changes to the program. Specifically, the bill:

- Replaces socioeconomic condition with catastrophic weather as event that would allow the division to make loans.
- Adds that loans can be used for direct impact costs, which is defined, or to pay the deductible to repair or replace insured farm or irrigation equipment and removes essential family living expenses.
- Removes the requirement that agricultural producers have less than 300 acres of land to be eligible for program loans.
- Provides that loans must be issued as zero-interest loans, in an amount of up to \$500,000. It adds a provision that applicants are responsible for closing costs, which may not be more than 1 percent of the loan, and removes a requirement that applicants must provide at least 10 percent equity.
- Adds loan limits for timber, cotton, and peanuts.
- Provides that the term of the loan is 10 years. If another natural disaster affects the same property for which the applicant received such a loan within the original term of the loan, the division must work with the borrower to evaluate the necessity of extending the term of the loan.
- Adds farm, ranch, or dairy infrastructure and irrigation equipment to and removes farmworker housing from the definition of “losses” and “essential physical property.”
- Removes the prohibition on trees as an eligible crop.

- Clarifies that shellfish cultivation includes oysters and defines “commercial fishing” and “industrial crops.”
- Removes the requirement for a borrower to operate in accordance with a farm plan that is approved by the commissioner.
- Removes the provision that a borrower may be required to participate in a financial management training program and adds that they may be required to obtain crop insurance as a risk management tool.
- Extends the timeline for an application from 90 days to 1 year after the date of the natural disaster or catastrophic weather event.
- Allows for only one loan to be issued per federal identification number.
- Requires an applicant to provide evidence to the division that they used crop insurance as a risk management tool, if available, at the time of the qualifying event.
- Allows farm assets to be used as collateral.
- Changes the terms of loan repayment.
- States that in the event of a default by a borrower, the division may bring suit to enforce its interest, in addition to any other remedy provided by law.
- Requires the division to administer the program in a manner consistent with federal disaster relief, prioritizing the maximization of federal aid.
- Removes the authority for DACS to establish a grant program to provide aid to agribusinesses to assist in market development.

The act is effective upon becoming law.

## II. Present Situation:

### **Agricultural Economic Development Program**

In 2000 the Legislature created the Agricultural Economic Development Program,<sup>1</sup> which provides loans to farmers who experienced losses due to natural disasters or socioeconomic events or conditions.<sup>2</sup> Loan funds may be used to restore or replace essential physical property or remove debris from essential physical property, pay all or part of production costs associated with the disaster year, pay essential family living expenses, and restructure farm debts.<sup>3</sup>

To be eligible for the program, agricultural producers must have a parcel or parcels of land not exceeding 300 acres<sup>4</sup> and funds may be issued as direct loans or as loan guarantees for up to 90 percent of the total loan, in amounts between \$30,000 and \$300,000.<sup>5</sup> Applicants must provide at least ten percent equity.<sup>6</sup>

The following crops are eligible for the emergency loan program:<sup>7</sup>

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<sup>1</sup> Ch. 2000-308, s. 26, Laws of Fla. (creating s. 570.249, F.S., effective June 16, 2000).

<sup>2</sup> Section 570.82(1)(a), F.S.

<sup>3</sup> *Id.*

<sup>4</sup> Section 570.82(1)(b), F.S.

<sup>5</sup> Section 570.82(1)(c), F.S.

<sup>6</sup> *Id.*

<sup>7</sup> Section 570.82(2), F.S.

- Crops grown for human consumption;
- Crops planted and grown for livestock consumption, including, but not limited to, grain, seed, and forage crops;
- Crops grown for fiber, except for trees; and
- Specialty crops, such as seafood and aquaculture.<sup>8</sup>

A borrower must keep complete and acceptable farm records and present them as proof of production levels and must operate in accordance with a farm plan that he or she develops and is approved by the Commissioner of Agriculture.<sup>9</sup> A borrower may be required to participate in a financial management training program and obtain crop insurance.<sup>10</sup>

In order to qualify for a loan the applicant must:

- Submit an application to DACS within 90 days after the date of the natural disaster or socioeconomic condition or event occurs or the crop damage becomes apparent;
- Be a citizen of the United States and a bona fide resident of the state;
- Demonstrate the need for economic assistance; and
- Demonstrate that he or she has the ability to repay the loan.<sup>11</sup>

All loans must be secured and a first lien is required on all property acquired, produced, or refinanced with loan funds.<sup>12</sup> The specific type of collateral required may vary depending upon the loan purpose, repayment ability, and the particular circumstances of the applicant.<sup>13</sup>

Repayment of the loans for crops, livestock, and non-real-estate losses shall be made within 7 years, or, in special circumstances, within 20 years.<sup>14</sup> Loans for physical losses to real estate buildings shall not exceed 30 years. Borrowers are expected to return to conventional credit sources when they are financially able and borrowers must be reviewed periodically to determine whether they can return to conventional credit.<sup>15</sup>

DACS is authorized to establish a grant program to provide aid to agribusinesses to assist in market development. The loan program has never been funded by the Legislature and no loans have been made.

### **Hurricane Michael**

On October 10, 2018, Hurricane Michael made landfall in the Florida panhandle as a Category 4 Hurricane, ranking by pressure as the third-most intense Atlantic hurricane to ever make landfall in the United States.<sup>16</sup> Hurricane Michael significantly impacted Florida agriculture, causing

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<sup>8</sup> *Id.*

<sup>9</sup> Section 570.82(3), F.S.

<sup>10</sup> *Id.*

<sup>11</sup> Section 570.82(4), F.S.

<sup>12</sup> Section 570.82(5), F.S.

<sup>13</sup> *Id.*

<sup>14</sup> Section 570.82(6), F.S.

<sup>15</sup> *Id.*

<sup>16</sup> State of Florida, Office of the Governor, Executive Order No. 18-360 (Dec. 5, 2018), *available at* <https://floridadisaster.org/globalassets/info-pages/eo-18-360-hurricane-michael-extension-1.pdf> (last visited March 14, 2019).

widespread crop, livestock, and timber losses across Northwest Florida.<sup>17</sup> The industry that was the hardest hit was timber, with an estimated \$1.29 billion in losses.<sup>18</sup> The additional total crop and animal product loss is estimated to be \$137.5 million.<sup>19</sup>

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<sup>17</sup> Christa D. Court, Alan W. Hodges, and Caleb A. Stair, *County-Level Economic Losses for Florida Agriculture Resulting from Hurricane Michael* (Nov. 13, 2018), available at <https://fred.ifas.ufl.edu/DEStudio/T4/PDF/County-Level%20Economic%20Losses%20for%20Florida%20Agriculture%20Resulting%20from%20Hurricane%20Michael%2011-13-18.pdf> (last visited March 14, 2018).

<sup>18</sup> Florida Department of Agriculture and Consumer Services, *Hurricane Michael's Damage to Florida Agriculture* (Oct. 30, 2018) (on file with the Senate Committee on Agriculture).

<sup>19</sup> Christa D. Court, Alan W. Hodges, and Caleb A. Stair, *County-Level Economic Losses for Florida Agriculture Resulting from Hurricane Michael* (Nov. 13, 2018), available at <https://fred.ifas.ufl.edu/DEStudio/T4/PDF/County-Level%20Economic%20Losses%20for%20Florida%20Agriculture%20Resulting%20from%20Hurricane%20Michael%2011-13-18.pdf> (last visited March 14, 2018).

The estimated impacts to specific crops are as follows:<sup>20</sup>

*Field and Row Crops*

<b>Product</b>	<b>Estimated Loss Value (\$Millions)</b>
Peanuts	\$19.249
Cotton	\$52.941
Corn	\$4.091
Oats	\$0.772
Soybeans	\$0.681
Hay	\$1.740
Total	\$79.476

*Specialty Crops*

<b>Product</b>	<b>Estimated Loss Value (\$Millions)</b>
Vegetables and melons	\$8.823
Fruits	\$4.524
Tree nuts	\$3.163
Greenhouse, nursey, and floriculture	\$15.208
Total	\$31.718

*Animals/Products*

<b>Product</b>	<b>Estimated Loss Value (\$Millions)</b>
Beef cattle	\$6.000
Dairy cattle and milk	\$6.707
Poultry and eggs	\$11.435
Animals, except cattle and poultry and eggs	\$2.169
Total	\$26.311

**III. Effect of Proposed Changes:**

**Section 1** amends s. 570.82, F.S., and transfers and renumbers it as s. 252.65, F.S., which is the Agricultural Economic Development Program. It makes the following changes to the loan program:

- Replaces socioeconomic condition with catastrophic weather as event that would allow the division to make loans.

<sup>20</sup> Christa D. Court, Alan W. Hodges, and Caleb A. Stair, *County-Level Economic Losses for Florida Agriculture Resulting from Hurricane Michael* (Nov. 13, 2018), available at <https://fred.ifas.ufl.edu/DEStudio/T4/PDF/County-Level%20Economic%20Losses%20for%20Florida%20Agriculture%20Resulting%20from%20Hurricane%20Michael%2011-13-18.pdf> (last visited March 14, 2018).

- Adds that loans can be used for direct impact costs, which is defined, or to pay the deductible to repair or replace insured farm or irrigation equipment and removes essential family living expenses.
- Removes the requirement that agricultural producers have less than 300 acres of land to be eligible for program loans.
- Provides that loans must be issued as zero-interest loans, in an amount of up to \$500,000. It adds a provision that applicants are responsible for closing costs, which may not be more than 1 percent of the loan, and removes a requirement that applicants must provide at least 10 percent equity.
- Adds loan limits for timber, cotton, and peanuts.
- Provides that the term of the loan is 10 years. If another natural disaster affects the same property for which the applicant received such a loan within the original term of the loan, the division must work with the borrower to evaluate the necessity of extending the term of the loan.
- Adds farm, ranch, or dairy infrastructure and irrigation equipment to and removes farmworker housing from the definition of “losses” and “essential physical property.”
- Removes the prohibition on trees as an eligible crop.
- Clarifies that shellfish includes oysters and defines “commercial fishing” and “industrial crops.”
- Removes the requirement for a borrower to operate in accordance with a farm plan that is approved by the commissioner.
- Removes the provision that a borrower may be required to participate in a financial management training program and adds that they may be required to obtain crop insurance as a risk management tool.
- Extends the timeline for an application from 90 days to 1 year after the date of the natural disaster or catastrophic weather event.
- Allows for only one loan to be issued per federal identification number.
- Requires an applicant to provide evidence to the division that they used crop insurance as a risk management tool, if available, at the time of the qualifying event.
- Allows farm assets to be used as collateral.
- Changes the terms of loan repayment.
- States that in the event of a default by a borrower, the division may bring suit to enforce its interest, in addition to any other remedy provided by law.
- Requires the division to administer the program in a manner consistent with federal disaster relief, prioritizing the maximization of federal aid.
- Removes the authority for DACS to establish a grant program to provide aid to agribusinesses to assist in market development.

**Section 2** amends s. 201.25, F.S., to update a cross-reference for the newly created section.

**Section 3** provides for the bill to be effective upon becoming law.

**IV. Constitutional Issues:**

## A. Municipality/County Mandates Restrictions:

None.

## B. Public Records/Open Meetings Issues:

None.

## C. Trust Funds Restrictions:

None.

## D. State Tax or Fee Increases:

None.

## E. Other Constitutional Issues:

None identified.

**V. Fiscal Impact Statement:**

## A. Tax/Fee Issues:

None.

## B. Private Sector Impact:

Large agricultural producers would benefit from these changes, by now being eligible for the loan program. All producers would benefit from the increase in the maximum loan amount, zero percent interest, and increase in length of time to repay the loan.

## C. Government Sector Impact:

The loan program would be moved from the Department of Agriculture and Consumer Services to the Division of Emergency Management. This program has never been funded.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill transfers and amends s. 570.82 of the Florida Statutes.

This bill amends s. 201.25 of the Florida Statutes.

This bill creates s. 252.65 of the Florida Statutes.

**IX. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Agriculture on March 18, 2019:**

The committee substitute:

- Deletes the reference to a type two transfer of the loan program.
- Replaces socioeconomic condition with catastrophic weather as event that would allow the division to make loans.
- Adds that loans can be used for direct impact costs (which is defined) or to pay the deductible to repair or replace insured farm or irrigation equipment and removes essential family living expenses.
- Removes the minimum loan amount of \$30,000.
- Adds loan limits for timber, cotton, and peanuts.
- Adds farm, ranch, or dairy infrastructure and irrigation equipment to and removes farmworker housing from the definitions of losses and essential physical property.
- Removes the prohibition on trees as an eligible crop.
- Defines commercial fishing and industrial crops.
- Extends the application deadline from 90 days to 1 year after the date of the natural disaster or catastrophic weather event.
- Removes reference to a specific deadline for those affected by Hurricane Michael.
- Adds a requirement that an applicant provide evidence that they had crop insurance as a risk management tool, if available, at the time of the natural disaster or catastrophic weather event.
- Adds a provision that states that in the event of a default by a borrower, the division may bring suit to enforce its interest, in addition to any other remedy provided by law.

**B. Amendments:**

None.