

JAN 22 2007

A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. The cost of feed for livestock production in
2 Hawaii can comprise up to seventy per cent of total production
3 costs versus close to fifty per cent for mainland producers.
4 Within the past year, two egg farms and one dairy farm have gone
5 out of business due to production cost increases largely
6 attributed to the rising cost of feed for livestock animals.
7 Currently, another dairy farm and another egg farm are
8 threatened by closure. Such closures increase the State's
9 dependence on imported foods.

10 Closure of local dairies and egg farms also means that
11 children and adults throughout the State will no longer have the
12 option of selecting fresher, locally produced milk and eggs.

13 This Act will create a dairy and egg farm revitalization
14 and food security program to administer and disburse funds to
15 qualified dairy and egg farms who apply for and receive, if
16 properly documented, a reimbursement for up to fifty percent of
17 each farm's feed expenses. Feed expenses shall not include the

1 cost of transportation to Hawaii. The maximum amount of feed
2 expenses for each farm shall not exceed fifty per cent of feed
3 expenditures incurred in 2006. This financial support will
4 serve a public purpose by enabling the dairy and egg industries
5 to stabilize their operating costs.

6 Milk and eggs provide essential nutritional needs to
7 consumers. The perishability of these food products make these
8 products susceptible to spoilage, which can cause food-borne
9 illnesses to the consuming public. Without these local
10 industries, all milk and eggs would need to be imported into the
11 State, incurring up to ten days of shipping before being offered
12 to the consumers. Increased shipping time decreases the
13 expected shelf life of fresh milk and eggs.

14 SECTION 2. There is appropriated out of the general
15 revenues of the State of Hawaii the sum of \$3,300,000, or so
16 much thereof as may be necessary for fiscal year 2008-2009, and
17 the sum of \$3,300,000 or so much thereof as may be necessary for
18 fiscal year 2009-2010, to be disbursed to qualified producers of
19 milk and eggs for the cost of feed for dairy cows or egg laying
20 hens, and for the administrative costs of the program.

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

1 SECTION 3. As used in this Act:

2 "Administrative costs" means costs associated with
3 reviewing, approving and recording expenditures and completing
4 any reporting requirements associated with the grant program.

5 "Administrative costs" shall not exceed .3 percent in any year
6 within the two year period.

7 "Qualified producer" means any individual or organization
8 that at the time of application for and disbursement of funds
9 under this Act is in the business of producing milk from a herd,
10 located in Hawaii, of not less than fifty cows, or producing
11 eggs from a flock, located in Hawaii, of not less than 3,000
12 birds.

13 "Eggs" means chicken eggs, uncooked in shell.

14 "Milk" means the lacteal secretion, practically free from
15 colostrums, obtained by the milking of healthy cows normally
16 produced or marketed through the channels of the fluid milk
17 trade.

18 SECTION 4. Funds shall be disbursed, subject to review and
19 approval after submittal of an application accompanied by
20 documentation of costs of animal feed for dairy cows or egg
21 laying hens.

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S.B. NO. 1307

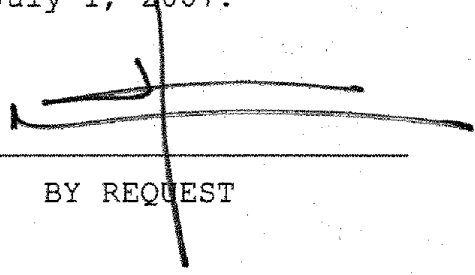
1 SECTION 5. This Act shall take effect on July 1, 2007.

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INTRODUCED BY: _____



BY REQUEST

JUSTIFICATION SHEET

DEPARTMENT: Agriculture

TITLE: A BILL FOR AN ACT RELATING TO AGRICULTURE.

PURPOSE: To create a dairy and egg farm revitalization and food security program.

MEANS: General fund appropriation.

JUSTIFICATION: There are currently five dairies and six egg farms of significant size, with combined gross annual revenues of \$26.4 million. These dairies and farms pay taxes, employ scores of individuals, provide open space for the public, and most importantly contribute to Hawaii's food security by providing a fresh, safe, and reliable source of food products. At the present time, there are two dairy farms and an egg farm threatened by closure, due primarily to the high cost of feed. Current costs relating to feed alone can comprise up to 70% of a dairy or egg farm's total production costs. During the past year, Hawaii has lost two egg farms and one dairy farm due to rapidly escalating production costs. Such closures increase the state's dependence on imported foods and threaten the state's ability to provide basic foods such as eggs and milk in the event of natural disasters or disruptions in transportation.

This program is to provide financial support through a reimbursement program for dairy and egg farmers in order to reduce the harmful impact of the high cost of feed. The support is for the cost of the feed only. Recipients of the subsidy will be required to identify and separate out

the transportation component of the cost of feed. This program has been proposed for feed only in order that the support not discourage the development of an in-state animal feed producing industry.

The reimbursement has been established at 50% of an eligible dairy or egg farm's feed costs using 2006 as the baseline year. The percentage was established as a means to provide financial stability to the most producers at the lowest cost to the state. It is expected that the program will allow the remaining dairy and poultry farmers to sustain their operations.

Impact on the public: The program will cost the State \$3.3 million each year for two years.

Impact of the department and other agencies:
None.

GENERAL FUND: \$3.3 million each year.

OTHER FUNDS: None.

PPS PROGRAM
DESIGNATION: AGR-192.

OTHER AFFECTED
AGENCIES: NONE.

EFFECTIVE DATE: July 1, 2007.