

SB 2467



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512

TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEES ON AGRICULTURE AND HAWAIIAN AFFAIRS
AND ENERGY AND ENVIRONMENT

FEBRUARY 5, 2008
2:00 P.M.
SENATE BILL NO. 2467
RELATING TO LOANS TO ASSIST
AGRICULTURAL AND AQUACULTURAL INDUSTRIES

Chairpersons Tokuda and Menor and Members of the Committees:

Thank you for the opportunity to comment on Senate Bill 2467. The bill's intent is to create a loan program for renewable sustainable energy projects for farmers and aquaculturists. The department supports the intent of the bill but would recommend that the renewable energy loan program be incorporated into the existing statutes as a new class of loans under the agricultural and aquacultural loan programs. This would eliminate the need to create a new revolving fund with the accompanying appropriation and the need to develop rules and procedures allowing faster implementation.

In addition, we recommend that the definition be expanded to include all sustainable projects such as food safety and traceability issues which may keep the operation sustainable but may not add directly to the operation's profitability. In order to market their products, farmers need to comply with increased government regulations. Market demands for certified products have been increasing. The amendment to include these types of projects will help to make the operation more sustainable.

Attached is the proposed SB2467 which includes the recommendations.

**HAWAII FARM BUREAU FEDERATION
2343 ROSE STREET
HONOLULU, HI 96819**

FEBRUARY 5, 2008

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND HAWAIIAN AFFAIRS
&
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

TESTIMONY ON SB 2467
RELATING TO LOANS TO ASSIST AGRICULTURAL AND
AQUACULTURAL INDUSTRIES.

Chair Tokuda and Menor and Members of the Committee:

My name is Alan Takemoto, Executive Director, of the Hawaii Farm Bureau Federation, which is the largest non-profit general agriculture organization representing approximately 1,600 farm and ranch family members statewide.

The Hawaii Farm Bureau Federation supports SB 2467, which establishes the Hawaii farm renewable sustainable energy loan program to provide financial assistance for the development of sustainable energy by farmers and aquaculturalists.

The intent of this measure was to broaden the qualifications of the current ag loan program and increase the dollar amount of loans needed to develop alternative energy type farm operations. Farms, or agricultural lands, offer the natural resources and land to best pursue alternative energy farm production. Some farmers have access to the natural resources on their land that can produce energy for the farm so that they can be either self contained and/or less dependent on county power and, therefore reduce their power expenses. However, these farmers lack the financial assistance to carry out this innovative program that will allow farmers to further diversify their operations.

Offering this ag loan program will have an impact on reducing Hawaii's reliance on fossil fuels, reduce farm productions costs, and create new business opportunities for farmers interested in alternative energy production.

Thank you for allowing us to testify on this measure.



**Hawaii
Aquaculture
Association**

To:

THE SENATE
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

COMMITTEE ON AGRICULTURE AND HAWAIIAN AFFAIRS
Senator Jill N. Tokuda, Chair
Senator J. Kalani English, Vice Chair

COMMITTEE ON ENERGY AND ENVIRONMENT
Senator Ron Menor, Chair
Senator Gary L. Hooser, Vice Chair

HEARING

DATE: Tuesday, February 5, 2008
TIME: 2:00pm
PLACE: Conference Room 414, State Capitol
415 South Beretania St

From: Ron Weidenbach, President, Hawaii Aquaculture Association
Phone: 429-3147, Email: hawaiiifish@gmail.com

Re: **SB 2467 Relating to loans to assist agricultural and aquacultural industries**

Chairs Tokuda and Menor, Vice-Chairs English and Hooser, and Members of the Committees:

The Hawaii Aquaculture Association (HAA) strongly supports Senate Bill 2467, which establishes the Hawaii farm renewable sustainable energy loan program to provide financial assistance for the development of sustainable energy by farmers and aquaculturists.

Aquaculture is one of the fastest growing segments of diversified agriculture in the State, reaching \$21.3M in wholesale product value in 2006. However, this industry is largely comprised of family farm operations that often struggle to make ends meet. Developing sustainable and renewable energy projects is in the best interest of long term sustainability for both the industry and state, but such ventures will be nearly impossible for aquaculturists without financial support. Eligibility to apply for loans specific to energy projects as well as non-energy related loans allows our aquaculturists to utilize their natural resources and develop new products and processes vital to their continued success.

HAA strongly supports this bill, and encourages the committee to vote for it so that the Hawaii aquaculture industry can continue to expand and contribute increasingly to Hawaii's economy. Thank you for the opportunity to testify.

**Testimony before the
Senate Committees on
Agriculture and Hawaiian Affairs
And
Energy and Environment**

**S.B. 2467 – Related to Loans to Assist Agricultural and
Aquacultural Industries**

**Tuesday, February 5, 2008
2:00 pm, Conference Room 414**

**By Arthur Seki
Director of Technology
Hawaiian Electric Company, Inc.**

Chairs Tokuda and Menor, Vice Chairs English and Hooser, and Members of the
Committees:

My name is Arthur Seki – I am the Director of Technology in the Energy Solutions
& Technology Department at Hawaiian Electric Company. I am testifying on behalf of
Hawaiian Electric Company (HECO) and its subsidiary utilities, Maui Electric Company
(MECO) and Hawaii Electric Light Company (HELCO), hereby referred to collectively as
the HECO Utilities.

We support S.B. 2467 that would establish the Hawaii farm renewable
sustainable energy loan program to provide financial assistance to farmers and
aquaculturists for developing sustainable energy. Loans can stimulate the development
of a local biofuel industry to produce renewable fuel for power generation in Hawaii.

HECO Utilities are committed to exploring and using biofuels in its existing and
planned generating units. The use of biofuels can reduce the State's dependence on
imported oil and increase the amount of renewable energy from sustainable resources.
This commitment by the HECO Utilities is demonstrated by the following initiatives:

- HECO's next power plant (100 MW) on Oahu (located at Campbell Industrial Park) will be 100% biofueled;
- HECO and MECO are partnering with BlueEarth Biofuels to build a 40 million gallon per year biodiesel production plant on Maui;
- MECO tested biodiesel in its diesel engines and combustion turbine at Maalaea power plant and will conduct further tests;
- HECO is developing test plans for a biofuel blend demonstration in a steam boiler generating unit on Oahu;
- HELCO will be testing biodiesel blends in a diesel engine on the Big Island;
- MECO will be testing glycerin (biodiesel by-product) in a Kahului steam boiler on Maui; and
- HECO is providing seed funding to the Hawaii Agriculture Research Center (HARC) and the agriculture departments at the University of Hawaii's Manoa and Hilo campuses to conduct biofuel crop research.

In conclusion, HECO Utilities support S.B. 2467 as a way to stimulate the development of locally produced biofuels.

Thank you for the opportunity to present this testimony.

LATE TESTIMONY

Testimony in support of SB 2467 -Relating to Loans to assist agricultural and aquacultural industries.

Senate Agriculture Committee

Hawaii Legislature

State of Hawaii

Aloha Senator Tokuda and fellow legislators;

I am in favor of SB 2467—Relating to loans to assist agricultural and aquacultural industries

This is a bill that accomplishes three things;

It addresses our food security issue by encouraging farmers to farm. If farmers make money they will farm. This bill will help farmers to save money by using alternate energy sources as oil costs rise. And, if the utilities will buy power from farmers in the future, farmers can make money. Further, farmers can qualify for 100% state income tax credits for alternate energy projects.

It helps to wean us from dependence on foreign oil? When farmers produce power, it will help us get off foreign oil.

It addresses an economic issue of balance of payments. A dollar saved from having to buy foreign oil is a dollar that can revolve in our local economy.

This bill is necessary because energy projects cost money and in lots of cases the savings is in the future. In order for farmers to obtain a positive cash flow when starting energy projects sooner rather than later, farmers must have a lower loan payback for doing energy products compared to present electricity/power costs. A low downpayment and long payback period helps to accomplish this.

Alternate energy projects qualify for 100% state income tax benefit though Act 122. While it is true that investors in these projects can qualify for favorable tax treatment, investors require a return on their investment. If investors finance farmers alternate energy projects, the value of the project goes to the investors and not to the farmers. If so, farmers would not waste their time to start the alternate energy projects in the first place. And, that is the main reason that this bill is so effective.

Aloha

Richard Ha

President

Hamakua Springs Country Farms