

LINDA LINGLE
Governor



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

SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

DUANE K. OKAMOTO
Deputy to the Chairperson

TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE
FRIDAY, MARCH 26, 2010
11:00 A.M.
ROOM 308

SENATE BILL NO. 2527, S.D. 2, H.D.1
RELATING TO AGRICULTURE

Chairperson Oshiro and Members of the Committee:

Thank you for this opportunity to provide testimony on Senate Bill No. 2527, S.D.2, H.D.1 relating to agriculture. The department supports this bill and recommends the following changes below.

1. Section 1, page 1, line 6 "...certification special fund [~~under the department of agriculture~~];
2. Section 1, page 1, line 14 "(4) Allowing the department of agriculture ..."
3. Section 1, page 1, beginning on line 17 "... certification services revolving fund [~~on June 30, 2010~~] established in section 147-101 to the agriculture inspection and certification special fund; and
4. Section 2. page 2, line 15 "...commodities to be imported into, exported from or shipped within the state;"

5. Section 2, page 3, line 16, "No moneys from the general fund or other special or revolving funds..."
6. Section 2, page 4, beginning on line 2, "...[shall be] expended to cover costs of administering chapter 144, part I of chapter 145, chapter 150, this chapter, and rules pursuant to section 141-4, [including] shall include the costs of ..."
7. Section 5, page 5, beginning on line 14, "...charges, expenses, fines, and other moneys collected pursuant to this [~~chapter~~] part, and interest earned on the moneys shall be transmitted to the ..."
8. Section 5, pages 5 to 6, beginning on line 19, "~~[(b) The following moneys shall be deposited into the agriculture inspection and certification special fund:~~
 - (1) ~~Fees, charges, expenses, and other moneys collected under this part;~~
 - (2) ~~Fines collected from violations of this part;~~
 - (3) ~~Interest earned on the moneys in the special fund; and~~
 - (4) ~~All other moneys made available to the fund.]~~
9. Section 7, page 7, line 1, "...collected by the department pursuant to this part and part II shall be ..."
10. Section 8, page 7, line 19 to 20, "...cause to be collected fees for those certification services [~~when they are performed by the employees of the department~~]."
11. Section 10, page 10, line 3, " ... (b) Any fees collected pursuant to [subsection (a) (4)] this part shall ..."

12. Section 12, page 10, beginning on line 14, "SECTION 12. [~~Section 147-402~~] Chapter 147, part VII, Hawaii Revised Statutes, is amended by amending the title to read [as follows]:
"Part VII. [CERTIFICATION SERVICES REVOLVING FUND]
TEMPORARY INSPECTORS"
13. Section 12, page 10, beginning on line 16, "SECTION 13. Section 147-102, Hawaii Revised Statutes is amended to read as follows"
"[§ 147-102] Certification and audit services by temporary inspectors. ..."
14. Section 13, page 11, line 11, "SECTION [~~13~~] 14. Section 147-112, Hawaii Revised Statutes ..."
15. Section 14, page 12, line 8, "SECTION [~~14~~] 15. Section 147-114, Hawaii Revised Statutes..."
16. Section 15, page 13, line 5, "SECTION [~~15~~] 16. Section 147-126, Hawaii Revised Statutes..."
17. Section 16, page 13, line 13, "SECTION [~~16~~] 17. Section 147-101, Hawaii Revised Statutes..."
18. Section 17, page 14, line 5, "SECTION [~~17~~] 18. (a) The repeal of section 147-101..."
19. Section 18, page 14, line 21, "SECTION [~~18~~] 19. (a) Between July 1, 2020, and September 30,..."

20. Section 19, page 16, line 19, "SECTION ~~[19]~~ 20. Notwithstanding section 2 of this Act,..."

21. Section 19, page 17, line 1, "...inspection and certification special fund ~~[to cover the costs of the agriculture inspection and certification program of the department of agriculture;]~~ for the purposes of the fund, provided that funding shall cease when the collection into the agriculture inspection and certification special fund becomes sufficient to carry out the purposes of ~~[this Act]~~ the fund.

There is appropriated out of the agriculture inspection and certification special fund established ~~[by chapter 147], in section 147-~~ _____, Hawaii Revised Statutes, the sum of \$ _____ for fiscal year 2010-2011 for the purposes of the ~~[agricultural inspection and certification program]~~ fund.

The ~~[sum]~~ sums appropriated shall be expended by the department of agriculture for the purposes of this Act.

22. Section 20, page 17, line 13, "SECTION ~~[20]~~ 21. Statutory material to be repealed is bracketed..."

23. Section 21, page 17, line 15, "SECTION ~~[24]~~ 22. This Act shall take effect on July 1, 2020"

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2527, S.D. 2, H.D. 1

March 26, 2010

RELATING TO AGRICULTURE

Senate Bill No. 2527, S.D. 2, H.D. 1, establishes the Agriculture Inspection and Certification special fund. In addition, Senate Bill No. 2527, S.D. 2, H.D. 1, redirects: 1) all fees, expenses, and penalties collected for certification and agriculture control activities; 2) fees to defray the cost of administering the weighing of coffee; 3) fees for certification services of flowers and foliage; and 4) fees charged by the Department of Agriculture for audits and certification that are currently deposited into the general fund to be deposited into the Agriculture Inspection and Certification special fund. Senate Bill No. 2527, S.D. 2, H.D. 1, also transfers all moneys in the certification services revolving fund to the Agriculture Inspection and Certification special fund. Senate Bill No. 2527, S.D. 2, H.D. 1, also resets inspection and certification fees, provided that the Department of Agriculture has not amended administrative rules, to generate sufficient revenues to fund the operation of agricultural inspection and certification programs.

As a matter of general policy, this department does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program;

2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It is difficult to determine whether there is a clear nexus between the benefits sought and the charges made upon the users or beneficiaries of the program and whether the fund will be self-sustaining.

Lastly, Senate Bill No. 2527, S.D. 2, H.D. 1, appropriates unspecified general revenues in FY 11 for the agriculture inspection and certification program; however, this general fund appropriation is not included in the Administration's financial plan.



Hawaii Cattlemen's Council, Inc.

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HOUSE COMMITTEE ON FINANCE
Friday March 26, 2010 11:00 am Room 308

SB 2527 SD2 HD 1 RELATING TO AGRICULTURE

Chair Oshiro and Members of the Committees:

My name is Alan Gottlieb, and I am the President of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our 130+ member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council supports SB 2527 SD2 HD1 which amends the definition of "agricultural commodity".

We supported this bill before the Senate and before the House Committee on Agriculture, who has made some changes with which we concur. These changes make it such that the provision to add Milk or Meat to the Agricultural Commodity Definition be only from Milk or Meat produced in the State. They also excluded carcasses from Horses and Llamas, and we have no concerns about excluding those. We also support their addition of establishing the Agricultural Inspection and Certification special fund under the Department of Agriculture.

Over the years we have come across definitions of agriculture commodities which have not included livestock, or the meat from livestock agriculture, and have sought to have those corrected so they are included. The problem is that there are so many different places where there are definitions, we seem to need to deal with them one by one as they come to our attention. In the past the legislature has always been very supportive on this very common sense issue.

The reason we ask that livestock and meat be included in the definition is so like other Agricultural commodities, we will be exempt from the State's General Excise Tax.

HRS Chapter 237 is the general excise tax statute. HRS section 237-24.3 makes certain transactions exempt from GET, including "transportation of "agricultural commodities" as this term is defined in section 147-1. That section provides:

§237-24.3 Additional amounts not taxable. In addition to the amounts not taxable under section 237-24, this chapter shall not apply to:

(1) Amounts received from the loading, transportation, and unloading of agricultural commodities shipped for a producer or produce dealer on one island of this State to a person, firm, or organization on another island of this State. The terms "*agricultural commodity*", "producer", and "produce dealer" shall be defined in the same manner as they are *defined in section 147-1*; provided that agricultural commodities need not have been produced in the State [Emphasis added].

Young Brothers has provided us with information quantifying how much this will cost the State of Hawaii in lost General Excise Taxes. For 2009, that amount was just \$6,093.98 for General Excise taxes they collected on items which would be affected by this amendment, a very small amount for the State but a big amount for local livestock producers. In the future, if we can help improve the economics of livestock production in Hawaii, we hope to increase our production, and help the State with its Bio-Security mandates for local food production.

We appreciate this opportunity to provide testimony on this matter.

March 24, 2010

Aloha Chairman Oshiro and members of the House Finance committee,

Thank you for this opportunity to write in support of SB2527 HD1.

As president of the Ka'u Coffee Growers Cooperative (KCGC), I can tell you firsthand that our region's coffee farmers are worried about inadequate access to green-bean inspectors.

Having our coffee certified requires a 1.5-hour drive to Kona. In addition, coffee is certified only once a week because of the reductions in personnel. We fear that the reduced certification schedule will cause delays in delivery of products to our clients.

The coffee industry in Ka'u is young, but promising. It is growing into a sound economic base for an area that offers few jobs compared to Hawaii's cities. Our cooperative alone is comprised of 31 farms covering about 280 acres. There are additional coffee farms in Ka'u, for a total of about 380 acres.

All of them are small family farms operated by a diverse group. For example, KCGC's farmers are Hawaiian, Caucasian, Asian (Japanese and Thai), Pacific Islander (Filipino) or Latino (Salvadoran) and Portuguese. Attached please find the names of farmers in our cooperative.

We hope that SB2527 HD1 will be approved; having inspectors that are not subject to Department of Ag budget cuts and are located in our community would be an important step in maintaining, and even growing, the coffee industry of Ka'u.

Sincerely,

Lorie Obra
President
Ka'u Coffee Growers Cooperative

Members of the Ka'u Coffee Growers Cooperative

Efren Abellera

Sixto Asuncion

Rosita Avenue

Lori Baptista

Marlon Biason

Gloria Camba & Rogelio Aquino

Joseph Castaneda

Leonardo Castaneda

Prassert Chantrakul

Don Dacalio

Verna Dacalio

Wayne Dacalio

Melchor Fernandez

Jeffrey Gascon

Amy Javar

Roland John Javar

Thomas Kailiawa

Clifford Kamei

Arneil Libunao

Francis & Trinidad Marques

Manuel Marques

Pablo Mauricio

Jose & Berta Miranda

Roberto Miranda

Leo Norberte

Lorie Obra

Franklin Orcino

Stanley Quija

Keldon Sakata

Ricardo Sambajon

William Tabios

MONSANTO HAWAII

2104 Lauwiliwili Street
Kapolei, Hawaii 96707

March 26, 2010

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON
SB 2527, SD 2, HD 1
RELATING TO AGRICULTURE

Chair Oshiro and committee members:

My name is Alan Takemoto. I am the Community Affairs Manager for Monsanto.

We support SB 2527, SD 2, HD 1, which establishes an agriculture inspection and certification special fund under the department of agriculture.

As the economy continues to struggle, the agricultural industry is confronted by a substantial decrease in agricultural inspection services statewide. The ability to move products in and out of the state as well as interisland is critical to our industry and our economy. With the anticipation of reduced agricultural inspections services, we appreciate all that the legislature and the HDOA has done in seeking alternatives and solutions.

As part of the farming community, we want to support every effort to making the Hawaii Department of Agriculture capable of meeting the needs of all farmers and related organizations. We hope that by establishing a special fund specifically for the services rendered, the HDOA can provide the necessary services that are required to protect Hawaii's agricultural industry.

We know there is much more to be done and we want to help in facilitating the process by which we all can be a partner during these difficult times.

Thank you for the opportunity to submit testimony.

Chris Manfredi
Ka'u Farm and Ranch Co. LLC
Ka'u Local Products, LLC
PO BOX 1109 Naalehu Hawaii
96772

March 24, 2010

Aloha Chairman Oshiro and members of the House Finance committee,

I am offering my testimony in support of SB2527 HD1.

As a stakeholder in the fledgling Ka'u coffee industry and founding president of Ka'u County Farm Bureau, I support SB2527 HD1, particularly relating to Section 147 (c) (1), which refers to "The licensure of commission merchants, dealers, brokers, agents, processors and retail merchants".

This provision represents precisely the legislation and support we need in our rural communities.

In Ka'u we were experiencing challenges relating to affordable access to commodity inspectors long before the proposed HDOA budget cuts. Additional expense in terms of time and cost were making our district un-competitive in a very competitive marketplace. Our industry has been forced to endure long delays, unfair costs imposed due to time and distance fees and our products have been compromised in terms of increased moisture content while in the care of HDOA. These costs have had the net effect of increasing our cost of production by up to \$1 per pound of green coffee beans.

Natural challenges in the form of drought and VOG have made this season particularly challenging. Economic challenges piled on top of these have caused some of our efforts to grow this emerging industry to stall. It would be very helpful if, with support from the Hawaii Department of Agriculture, commission merchants, brokers, agents, processors and retail merchants were licensed to certify our product in compliance with the law. Only then can the burden be shifted from government to the private sector making compliance with the law affordable, accessible and farmer friendly; not gaining a competitive advantage, but leveling the playing field with already stiff competition from around the globe.

Thank you for this opportunity to testify in support of SB2527 HD1.



Chris Manfredi

Peterson Upland Farms
135 Dole Road
Wahiawa, Hawaii 96786
Established 1910

TESTIMONY

Committee on Finance
Rep. Marcus Oshiro, Chair
Rep. Marilyn Lee, Vice-Chair

Friday March 26, 2010
TIME: 11:00 am
PLACE: Room 308

RE: SB 2527, SD2, HD1 – Relating to Agriculture

Chair Marcus Oshiro, Vice-Chair Marilyn Lee, and Committee Members,

I strongly support SB 2527, SD2, HD1. Each year we continue to import more products into Hawaii than the previous year increasing the demand on the department of agriculture and its inspectors. Establishing an Agriculture Inspection and Certification Special Fund will allow flexibility for the Department of Agriculture to react quickly by easy access of funds when needed compared to the work and time needed to get necessary funds released from the general fund. The Agriculture Inspection and Certification Special Fund will start to become self supporting by allowing the monies to go back into the special fund as opposed going into the general fund. This bill also allows for the Department of Agriculture the flexibility to hire other inspectors or third parties allowing inspections to be done on a regular and timely basis.

Inspections are needed. Imported products or shipments can hurt Hawaii as a whole. Local farmers or industry can be hurt by one farmer or importer not following rules thus possibly hurting all local farmers or Hawaii industry. Growth for Hawaii agriculture export products needs timely certifications. Demands on the inspectors have increased yet all we see is cutting positions. Last but not least, I agree in amending and bettering the definition of "agricultural commodity".

Thank you for the opportunity to submit positive testimony in favor of this bill.

Jeff Peterson
Peterson Upland Farms
783-5505

