

HB 1570

HD2, SD1

NEIL ABERCROMBIE
Governor



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

RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

JAMES J. NAKATANI
Deputy to the Chairperson

**TESTIMONY OF RUSSELL S. KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

WEDNESDAY, MARCH 30, 2011

9:30 A.M.

CONFERENCE ROOM 211

**HOUSE BILL NO. 1570, H.D.2, S.D.1
RELATING TO AGRICULTURE**

Chairperson Ige and Members of the Committee:

Thank you for the opportunity to comment on House Bill No. 1570, H.D.2, S.D.1. The purpose of this bill is to support the agricultural industry in Hawaii by helping livestock producers to meet their feedstock costs. The Department of Agriculture strongly supports this bill.

In 2007, the Legislature had passed a similar measure to support the local livestock industry in Hawaii by providing grants to qualified producers to offset their rising feed costs. The assistance provided was timely, in the midst of the "great recession." Many of the producers who received the assistance are highly appreciative of the support provided. The assistance actually helped to stave off some business closures.

The Department is a strong advocate for the local livestock industry and we believe this measure provides a near term solution for some of our producers who confront rising feed and shipping costs. Just last month alone, both Matson and

Horizon have announced a 4.75 percent increase in fuel surcharge from 21.75 percent to 26.5 percent for their Hawaii service. Likewise, the price of lay feed reportedly went up by \$20 to \$400 a ton.

It is critical to support our existing livestock industry in order to establish a firm foundation for future expansion thus ensuring a greater degree of self-sufficiency in food production. The rampant shortage of fresh food reported in Tokyo, Japan following the tragic earthquake and tsunami underscores the importance of food self-sufficiency and food security throughout our Hawaii islands.

Thank you for the opportunity to testify on this bill.

**MIKILUA POULTRY FARM INC
1612-A KILOHI STREET
HONOLULU, HAWAII 96819**

**The Senate
Committee on Ways and Means**

March 30, 2011

**TESTIMONY
HB 1570 HD2 SD1**

Chairperson Ige, Vice Chair Kidani and Members of the Committee:

Mikilua Poultry Farm Inc is a family owned egg farm founded in 1947. We produce Island Fresh eggs for the entire State of Hawaii. We support HB 1570 HD 2 SD1 to assist, revitalize and protect Hawaii's livestock industry from historic feed costs due to low corn inventory, ethanol production, high transportation rates and global demand.

Current corn prices are over \$6.00 per bushel in contrast to the historical norm of \$2.20 per bushel. Corn prices have increased over 50 percent since the 2007 Livestock Revitalization legislation.

The cost of importing feed from the Mainland is approximately 30 percent of the total cost of feed. That makes it hard to compete with eggs from giant farms in Arizona, California, Oregon and Washington whose products are older but cheaper." Farmers cannot pass on 20 percent feed increases to customers without the risk of losing business to cheaper mainland eggs. The price differential is largely due to the shipping rates and fuel surcharges imposed on importing feed. Transportation costs for one (22 ton) container of feed could cost as much as \$3,000.00 or more. According to Matson Navigation and the Honolulu Advertiser, fuel surcharge since 1999 has increased from 0% (1/1/99) to 26.5% (2/27/11).

We would greatly appreciate the support of the Committee on Ways and Means for HB1570 HD2 SD1 to revitalize Hawaii's livestock industry with grants for two years. We respect the foresight of the Committee to recognize the eminent concern for food security, if the declining trend for livestock production continues. The State of Hawaii has lost local egg production on Hawaii, Maui, and Kauai from 2005 - 2007. Our family farm tried to fill the demand of the neighbor island markets since egg production ceased.

The previous feed grant program of 2007 was a great aid to our farm. We were able to increase our egg production; acquire new equipment; make infrastructural improvements; and most importantly purchase feed to sustain our flock.

I understand the concern for recurring subsidy requests especially during these economic times. I would like to emphasize the economic multiplier effects of farm gate value to our State sustainability. The livestock industry has a multiplier (per every farm gate dollar) of 1.90 on sales; 0.51 for earnings; 0.063 for state tax and 24.20 for employment (Source: The 2005 State of Hawaii Input-Out Study, Agriculture 2008. DBEDT) The demise of any livestock industry would have a negative impact on the State economy. Within our own business, we experience \$1 farm gate value generates \$1.6 at our wholesale distribution level. What we receive from one year of subsidy, we will return as State tax payments within two years.

The previous feed grant was to serve as a bridge to long term financing. We did not depend on the feed grant alone. Personal sacrifices by the family were made to ensure employment to our loyal employees. However we were impacted by the Department of Budget and Finance's decision to withhold the last \$1 million from the appropriation and that administrative decision in 2009 affected our budget and fiscal projections.

We ask for your support of HBI 570 HD2 SD1 and thank you for the opportunity to submit our testimony.

Respectfully,
Phyllis Shimabukuro-Geiser
President

Phyllis Shimabukuro-Geiser

March 29, 2011

To: **Senate Committee on Ways and Means**

Re: **HB 1570 HD 2 SD1:**

Date: Wednesday, March 30, 2011

Time: 9:30 am

Place: Conference Room 211

State Capitol

415 South Beretania Street

Dear Chairman David Ige

Vice Chair Michelle Kidani and members of the Senate Committee on Ways and Means,

My name is Jeffrey Peterson.

I was born and raised on a poultry egg farm in Wahiawa where my family still farms poultry today. For the last 10 years I have been the manager for Land O Lakes Purina Feeds which sells animal livestock feeds here in the State of Hawaii. My personal testimony comes from being both raised on a local family poultry farm and also working with the feed industry.

Back in 1999 there were 14 dairy farms, 17 poultry operations and numerous hog farms across the islands. Today we have two dairy, 4 poultry farms and a handful of hog farms in the state. In 2007 a livestock revitalization bill passed allowing for the livestock industry time and assistance to adjust to the increase in costs and change their business model to survive in the future in Hawaii.

I ask myself did the 2007 Livestock Revitalization program help the livestock industry? I know first hand it has saved a number of family farms from going out of business. I know they are still struggling as they continue to change. As examples, I have seen some of the farmers change their business models by selling directly to the end user, another processing their own products to sell to the market as opposed to going to a middle man, another upgrading some of their old equipment to be more efficient with the best management practices.

Costs have continued to increase rapidly since 2007 due to the continued increase demand of ethanol, the world demand on corn/proteins, and transportation costs. Comparing January 2007 to February 15th 2011, total combined feed and shipping costs have increase is 32%. When broken apart feed costs have gone up 47%. Terminal handling costs at our ocean ports for shipping a container have gone up 126% since 2007. When dealing with commodities and agriculture costs to produce a food product this 32% total increase is a large increase.

There is more that should be done in a effort to stabilize this Hawaii livestock industry. Guam has lost their commercial poultry and their slaughter house. Today they are offering programs and incentives to entice locals to start farming. So far Guam has had no takers that. I feel once it is gone it is very hard to get it back due to the investments etc.

The total funds put aside for the 2007 Livestock Revitalization program were never totally released. There are still many challenges in front of the farmers we have left producing food in Hawaii. Sustainability and growth through change needs to be achieved by current farmers. They have proved to be receptive to change and responsibly putting money back into their farms for the future. More importantly I see growing opportunities in Hawaii livestock agriculture both now and in the future.

I ask for your support and passage of HB 1570 HD2 SD1.

Respectively submitted,

Jeffrey A. Peterson

March 28, 2011

To: **Senate Committee On Ways And Means**

Re: **House Bill 1570 HD2 SD1**

Date: Wednesday, March 30, 2011

Time: 9:30 am

Place: Conference Room 211

State Capitol

415 South Beretania Street

Senator David Ige, Chair & Senator Michelle Kidani, Vice Chair and honorable members of the Committee:

I am a supporter for the passage of HB 1570 HD2 SD1. Although I am not a farmer or agricultural producer of goods, I am a consumer who comes from an extended family of farmers and a staunch supporter of purchasing locally based "homegrown" goods and services as often as I can. I believe in the spirit of supporting locally based businesses that produce goods and services for a number of reasons. I avoid big box stores as often as possible and prefer to spend a little bit more money to purchase goods and support locally based businesses. I'd much prefer to see as much of my hard-earned money stay right here in Hawaii supporting a family business here rather than send my dollar elsewhere. I do realize, however, that this is not 100% possible.

In regards to HB 1570 HD2 SD1, I realize the importance of the passage of the bill. I realize the arguments both for and against such a bill. Costs, empirical, and evidentiary data and statistics abound concerning this bill, others similar to it, and its intrinsic value to not only the producers and business owners who directly benefit and stay in business, but to those of us as consumers who deeply value the products and services provided by these businesses. The undeniable and resilient spirit of the people who work and manage these businesses deserve the financial support and relief HB 1570 HD2 SD1 would allow.

Considering the demise of a number of egg and cattle farms, ranches, etc., over the years in Hawaii should be of great concern to the people who reside within the state of Hawaii, especially our elected and appointed leaders. I could go into the long statistical data available on the world wide web that would illustrate and show the financial numbers involved in the business of raising farm based products, however, I realize those numbers are provided in other citizen's letters to you as well as readily available online. I will digress at this juncture to avoid redundancy.

More importantly, consider the fact that the Hawaiian Islands are completely isolated and extremely reliant and dependent upon outside resources and imports for much of its food and other products. I find it a travesty that Hawaii does not promote, encourage, and completely support locally grown goods and services more than it does considering the devastating effects that could result in case of catastrophe. If we were to ever lose contact or supply lines from external resources, our state would be in a great state of panic and lack any sustainability for determined length of time. Realistically consider how we would feed our people, including your families?

Realizing certain recent natural world disasters as well as the national and globally volatile political and economic climates makes me reflect more upon the questions of why we, as citizens of Hawaii, are not more self-reliant and supportive of growing our own foods to the point where we could make a better effort in self-sufficiency in case of disaster. Should supply lines ever become compromised, the entire state of Hawaii would be in serious jeopardy. One can last on MRE's (Meals- Ready-to-eat) for only so long. How much fish might we be able to catch and harvest from the ocean and for how long could we keep up the supply of amounts needed before any seafood abundance is exhausted in the oceans?

The passage of this bill will allow those small business operators who are still very fortunate to be in business to continue their spirited work, supplying and providing much needed foods and services towards an already economically and logistically challenged global system. In my opinion, we have become too dependent and too reliant on outside goods from other sources to be imported into the State and it appears, with the staggering loss of the number of local farm businesses over the years, we've selfishly and ignorantly become less supportive of locally grown products and less self-sufficient. I am not convinced the average person and consumer fully understands what would be the tragic circumstances we all face should farmers, ranchers, poultry producers, etc., disappear completely off the grid. Simply put, without farms there would be no food. Being proactive now instead of reactive later after catastrophe and considering the bill proposed in front of you, consider that it might take months or even years to stand up operations for farms and ranches to produce food should we allow another local farm or ranch, etc., to disappear today. Necessity wouldn't allow us to wait so long to feed our people. Further consider the people of Japan who are currently living and dying from the catastrophic tragedy of their recent natural disaster and the lack of food and fresh water for the survivors. Extreme line of thought? Perhaps. Realistic to consider the factual, real threat and possibilities of such similar or equally devastating events to occur right here in Hawaii? Most certainly. We need to be better prepared and more visionary with our food supplies. It continues with supporting our locally grown and manufactured food products, ranches, farms, etc., and passing HB 1570 HD2 SD1.

During my youth and during my formative teenage years, I witnessed and experienced firsthand as a worker "in the fields" the hard work farmers do day in and day out, night in and night out, toiling their fields, cattle, crops, animal coops, etc., trying to feed our nation and the rest of the world. Many a day I was awake and up way before dawn and finished working well after dusk. I have seen farms disappear because we've become a nation of people who shy away from the hard work required to be successful at farming. Some wouldn't consider it the most glamorous or well-paying of occupations. For the worker, I imagine it's something more intangible and "more rich" than any financial reward; it's the pride and service and work ethic knowing they are feeding people that drives them to keep going. And, they are struggling. The resiliency of the farmers, farms, and local producers of other agricultural products not only on the mainland United States, but especially here in Hawaii as well, are living proof of the true meaning of the spirit of raising "homegrown" products. Arguably, these genuine and good people asking for your assistance in passing HB 1570 HD2 SD1 could very well be members of our local communities who provide the best example of the last bastion of society representing the true American spirit of entrepreneurship. They consist of simple, hard-working men and women who toil 24 hours a day to produce a farm, poultry, or cattle product within a very complex and competitive global business system. If it means I might pay a little more for a product made here in Hawaii and supporting a family who lives, works, sacrifices and toils, pays taxes, and contributes to our communities in a positive number of ways, all the while trying to avoid our welfare scrolls, so be

it. I'll be glad to stretch my dollar. But, they cannot continue to exist and survive without your help in passing HB 1570 HD2 SD1.

Other business owners may cry "foul" and ask why their businesses cannot be supported much in the same fashion as HB 1570 HD2 SD1 supports farmers, etc. Some individuals may offer other suggestions such as tax exemptions and lower or non-existent General Excise tax rates, however, I feel that the GE tax rate offers a check and balance system that illustrates what income can be generated coming in to the government and allowing the government to budget with more precision as opposed to guessing or wondering what monies might be available to then be disseminated back into the communities with grants or projects, etc. These might be businesses that don't grow foods or the produce the feed that feeds the animals that produce our foods. There is a distinct difference and importance in debate or argument concerning why farmers/ranchers deserve the passage of HB 1570 HD2 SD1 over those business owners who do not raise cattle or produce foods or produce feed; we can't necessarily eat their business products.

I offer and suggest to you all that I'll take fresh, safe, homegrown, good old-fashioned cattle, dairy products, poultry, vegetable, fish, and grain products, etc., especially those grown locally over any product available on the shelves of stores. We must eat to survive and we cannot do that without farms and their products. One cannot "eat" a fancy computer or iphone or fancy set of clothes or shoes and we can do without those items if we absolutely need to. However, I think we all can agree that we sure do need food to survive. It's that simple. Local farms and ranchers of all products deserve our utmost support. They need this financial support to continue to be successful and to survive.

Our country was founded by the very same spirit and lineage of ranchers, farmers, intellectuals, and especially on the hard backs and hard work of blue collar workers that exists today. I served my country for over 20 years in the U.S. military and consider myself a patriot. I'd like to see us get back to relying on ourselves more than we rely on other countries in regards to farming, manufacturing, etc., and that will only happen if our leadership understands and believes as I do. It starts right here at home. Please support the passage of HB 1570 HD2 SD1 and don't add to the demise and death of farms and ranches here in Hawaii much the same as some of our mainland steel mills, farms, and ranches fell to the wayside decades ago. I believe in and support the American spirit, especially those who continue to ranch and farm, and I believe in the spirit of locally based, home-grown product manufacturing and support needed to keep them going with just a little help from all of us.

They need your help. They need your complete support. I respectfully request you support and pass HB 1570 HD2 SD1.

Thank you for your time. Please forgive me if my words and ideas seem random or unorganized; I had very little advance notice of this deadline and wrote these ideas within an hour's brainstorming in order to meet the deadline.

With my most complete respect,

Jonathan Barkley

Senate Committee on Ways and Means

Date: Wednesday, March 30, 2011

Time: 9:30 am

Place: Conference Room 211

State Capitol

415 South Beretania Street

To: Chair David Ige,
Vice Chair Michelle Kidani and members of the Committee on Ways and Means:

RE: House Bill No. 1570, H.D. 2 S.D.1

My name is Roy Kaneshiro and I am the owner of K. K. Poultry Farm, Inc. located in Waimanalo, Hawaii. My farm is one of only four remaining commercial egg-producing farms in the State of Hawaii. The four farms produce approximately 15% of eggs for sale in Hawaii. The rest of the eggs are imported from outside the State.

I support House Bill No. 1570, H. D. 2 S.D.1 which provides a subsidy for livestock feed. Producing eggs in Hawaii is costly and one of the major costs is for feed. Feed price is subject to the fluctuating grain market and to shipping costs which is affected by fuel price. A similar measure was enacted in 2007. I feel that the program was very successful. It enabled me to afford the weekly feed purchase and make improvements to become more productive, efficient and to continue farming.

I believe this House Bill demonstrates the State's commitment to support agriculture by assisting farmers who are part of the State's vision for sustainability. It will also encourage and help farmers to stay in business during this difficult time. I therefore urge passage of this bill.

Respectfully submitted,

Roy Kaneshiro

March 28, 2011

Senate Committee on Ways and Means

Date: Wednesday, March 30, 2011

Time: 9:30 am

Place: Conference Room 211

State Capitol

415 South Beretania Street

Re: **HB 1570 HD 2 SD1**

Chair David Ige, Vice Chair Michelle Kidani and honorable members of the Committee:

My name is Sharon Peterson Cheape of Petersons' Upland Farm and I work on our family egg farms located in Kipapa and Wahiawa. I am also the Vice President of the Hawaii Egg Producers Cooperative which represents all commercial egg producers in the state of Hawaii. In the early 1980's there were 21 commercial egg farms in our state. Today there remain only four, all of which are seriously threatened by closure.

As a recipient of the 2007 Livestock Revitalization Program, I can attest to the enormous value and difference it has made with our family's poultry farm. In fact, I can honestly say that we would not have been able to celebrate our 100 year anniversary in 2010 had we not received this help. Monies from the Revitalization Program enabled our farm to pay for rapidly increasing feed and shipping costs, to grow our existing flock number and to purchase new egg collecting and feed equipment which greatly increased our efficiency. In comparing years 2007 to 2010, we realized a growth in our on-farm sales to be 83%. This huge increase in retail sales was due directly to the Revitalization monies we received along with the promotional efforts and community awareness of Dan Nakasone for the Hawaii Egg Producers Cooperative. This growth in retail sales shows the growing support of local consumers wanting to support local livestock business's in Hawaii, know where their product is produced and who produces it.

All livestock farmers are now facing a greater challenge of even higher feed prices, shipping rates and fuel surcharges than what was experienced in 2007. Last week we witnessed corn reaching an all time high of \$7.30 per bushel in contrast to past norms of \$2.20 per bushel. In addition to this, Matson Navigation Company sent out a recent letter informing it's customers that it is raising it's fuel surcharge by 13.25 percentage points for its Hawaii service which will take effect March 30, 2011. Therefore, this Bill is urgent and necessary for our states future in poultry and all livestock agriculture.

The 2007 Livestock Revitalization Bill was cut short and never completely funded. HB 1570 HD2 SD1 would finish the job that the 2007 Livestock Revitalization Bill intended to complete. I strongly support HB 1570 HD2 SD1. Your help will not only aid in the preservation of agriculture and the survival of our local farms, but also in ensuring future generations to experience and benefit from the products and the culture of this treasured lifestyle. Once a farm closes it is virtually impossible to restart, which is why HB 1570 HD2 is so vital.

My family along with the other 3 commercial poultry farms thanks you for providing the past funding from the 2007 Livestock Revitalization Bill which has kept us all alive and invest in the future of ag. We passionately ask for your further support in passing HB 1570 HD2. Mahalo for your support of agriculture and for the opportunity to submit this testimony.

Respectfully,

Sharon Peterson Cheape
Petersons' Upland Farms
Ph: 808-358-7258

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 29, 2011 2:11 PM
To: WAM Testimony
Cc: eric@bellosmillwork.com
Subject: Testimony for HB1570 on 3/30/2011 9:30:00 AM

Testimony for WAM 3/30/2011 9:30:00 AM HB1570

Conference room: 211
Testifier position: support
Testifier will be present: No
Submitted by: Eric Bello
Organization: Individual
Address:
Phone:
E-mail: eric@bellosmillwork.com
Submitted on: 3/29/2011

Comments:

I would like to voice my support for HB1570. My family operates an egg production farm in Wahiawa and has struggled through the years with increasing feed and other costs. In particular during this time of unprecedented high feed costs, we really need the kind of relief that HB 1570 would provide. The last feed subsidy allowed us to survive through a similar cost escalation. When we recovered, we upgraded housing and machinery to become more efficient. We understand we must modernize and continue to improve our efficiency and competitiveness. Our operation recently celebrated our 100th anniversary in business. We would like to continue to provide jobs and food security to our community for many more years to come. Thank you for your consideration.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 29, 2011 12:07 PM
To: WAM Testimony
Cc: queenbee@lava.net
Subject: Testimony for HB1570 on 3/30/2011 9:30:00 AM

Testimony for WAM 3/30/2011 9:30:00 AM HB1570

Conference room: 211
Testifier position: support
Testifier will be present: Yes
Submitted by: Glen Shinsato
Organization: Individual
Address:
Phone:
E-mail: queenbee@lava.net
Submitted on: 3/29/2011

Comments: