



THE HOUSE
THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2012

COMMITTEE ON AGRICULTURE

Representative Clift Tsuji, Chair
Representative Mark J. Hashem, Vice Chair

DATE: Wednesday, February 1, 2012
TIME: 8:00 a.m.
PLACE: Conference Room 312
State Capitol
415 South Beretania Street

RE: Testimony in strong support of HB 2421 RELATING TO FEED MILLS

Dear Chair Tsuji, Vice Chair Hashem, and Committee Members:

The Hawaii Aquaculture and Aquaponics Association (HAAA), representing Hawaii's aquaculture and aquaponics industry statewide strongly supports HB 2421 which awards a matching Grant to the Oceanic Institute for the construction of a long awaited feeds research and pilot production facility. This facility would support feeds research and pilot scale production of feeds for Hawaii's aquaculture and livestock industries.

The Oceanic Institute currently has approximately 90 percent of the total \$4.1M needed for facility construction and equipment already committed, with much of the feed manufacturing equipment already on hand in storage. The requested State grant of \$450K would be for the remaining non-Federal match required to access the committed Federal funds.

Feed costs typically constitute the largest single cost item in terrestrial and aquatic animal production, running as high as 70 percent of total annual operating costs. With the rising costs of internationally traded commodity feed inputs purchased by mainland feed companies, and the rising transportation costs of shipping mainland-produced feeds to Hawaii, landed feed costs for Hawaii's producers have doubled or tripled in recent years, forcing many producers out of business. However, locally produced by-products from other local agricultural activities, fish processing wastes, and anticipated bio-fuel by-products could together provide the basis for producing more affordable locally-manufactured feeds, addressing the needs of multiple sectors.

The requested Grant to support the construction of an Oceanic Institute feeds facility at the

University of Hawaii at Hilo's Panaewa farm site, already leased at \$1/year, would help make this opportunity a reality. The HAAA therefore urges your strong support of this important bill.

Thank you for the opportunity to comment.

A handwritten signature in black ink, appearing to read "Ronald P. Weidenbach". The signature is written in a cursive style with a large initial 'R'.

Ronald P. Weidenbach
HAAA President



Hawaii Cattlemen's Council, Inc.

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COMMITTEE ON AGRICULTURE
Wednesday February 1, 2012 8:00 a.m. Room 312

HB 2421 RELATING TO FEED MILLS

Chairman Tsuji, Vice Chair Hashem and Members of the Committee:

My name is Alan Gottlieb, and I am a rancher and the Government Affairs Chair for 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 **strongly supports** HB 2421.

After grain feeding cattle in Hawaii for the local beef market, though the 1960's, 1970's and 1980's, often at an economic loss, many Hawaii cattlemen began shipping their young calves to the Mainland and Canada in the 1990's, following the old adage that it's cheaper to ship the cattle to the feed than the feed to the cattle. That's because it takes about 7 lbs of grain to put on one lb of meat. Through the 1990's and up to the mid-2000's, Hawaii Cattlemen earned more money feeding their cattle on the Mainland and Canada than they ever had in Hawaii, keeping many of them in business, where they might have otherwise gone broke. Over the years there had been many studies and trials to develop local grains, bi-product feeds or other rations to finish cattle in Hawaii, but the economics of those trials could never compete with the cost to finish cattle on the Mainland, even after transportation costs and hassles. Today, the economics have changed! Oil, which previously traded in the \$20 per barrel range, now trades above \$100 per barrel making trucking, ocean shipping and almost every other input more expensive, and corn has gone from \$2 per bushel to almost \$6 per bushel. These huge increases are due to our Government's energy policies and subsidies, which may soon spark a global food crisis.

In the 1980's our local beef cattle herd only supplied about 25% of the local consumption, when all Hawaii cattle were fed and sold as beef in Hawaii. At that time, our local beef was often incorrectly perceived as lower quality than Mainland Beef and marketing local beef was often a real challenge. Today, demand for high quality, locally produced beef is very strong, with support from Hawaii chefs and markets, diet trends like natural, organic and 100 mile, and we could likely easily market all of our cattle in Hawaii, if we had some means of adding weight to the cattle beyond what existing cow herds can sustain on their existing lands. These supplemental feeds can add weight faster than typical grazing can do, can be done in large numbers in limited space, and higher quality feeds in the last portion of the feeding process adds quality and consistency to the finished beef product.

With the existing economics of corn and oil, which are unlikely to lower drastically in the foreseeable future, it is time to seriously look at the feasibility for growing feed in Hawaii for all Hawaii livestock and aquaculture. A grant to the Oceanic Institute for the construction of the feeds research and pilot production facility might be the first step for keeping more cattle in Hawaii, and expansion of other livestock and aquaculture industries in Hawaii.

Thank you for giving me the opportunity to testify in favor of this very important issue.



Oceanic Institute
An Affiliate of Hawai'i Pacific University

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RE: Testimony in strong support of HB 2421 RELATING TO FEED MILLS

My name is Anthony C. Ostrowski, Ph.D., president of the Oceanic Institute (OI). OI is a private, 501(c) (3) non-profit research and development organization dedicated to applied aquaculture and marine science research and education. OI is affiliated with Hawaii Pacific University.

OI strongly supports HB 2421.

Hawaii's agriculture industry plays a critical role in the food security and safety of our state. With over 80% of our agricultural products imported and only an 11-day emergency food supply, our community can ill afford to lose the infrastructure required to support its food needs in times of shortage, crisis, or increased cost, and must focus on increasing the local supply to provide choice, quality, and freshness. However, the very existence of the agriculture industry in Hawaii is being threatened by rising fuel, feed, and fertilizer prices. Unless innovative solutions are sought and emphasis placed on sustainability, Hawaii will become totally dependent upon imports of unknown quality and outside market forces in supplying the food needs of its people.

Feed is the single largest cost of any animal agriculture operation and all feed in Hawaii is imported. High feed costs have directly caused the demise of the local broiler industry, and now threaten the established egg layer, swine, dairy, and beef cattle sectors, as well as the rapidly-growing aquaculture industry in Hawaii. Rising ingredient prices and demand for scarce supplies have led to the evaluation and development of alternative ingredients worldwide, especially in aquaculture, where fishmeal and fish oil are in increasingly short supply.

OI has proposed the construction and operation of a research and demonstration Feeds Research and Pilot Production Facility with commercial-scale processing capabilities to assist research and development of alternative, local feed ingredients for the aquaculture and other animal agriculture industries in Hawaii. Diversified agriculture is one of Hawaii's bright spots,

providing alternative food choices for our community and potential feed ingredients. A budding biofuels industry also yields promising co-products from algae, kukui nut, coconut, and others that can be developed for feed as well as fertilizer and improve the economic outlook for biofuels production. There are also substantial amounts of slaughterhouse and seafood processing waste currently being discarded in overburdened landfills which could be economically converted into feed ingredients or fertilizer. A critical mass of ingredients and programs now exist that promise hope to all agricultural sectors in Hawaii and ultimately, the overall food security, safety, and sustainability of our state. No similar facility exists in the U.S. Pacific region which targets the use of tropical ingredients, and no similar facility exists in the U.S. for research on aquaculture ingredient and feeds development. The proposed Feeds Research and Pilot Production Facility will be unique in the nation and launch Hawaii as a leader and model for our U.S. affiliated and other island communities, and other isolated regions in the country.

OI currently has approximately 90 percent of the total \$4.1M needed for facility construction and equipment already committed, with much of the feed manufacturing equipment already on hand in storage. The requested State grant of \$450K would be for the remaining non-federal match required to access the committed Federal funds and support construction of the feed mill. OI has a long-term lease with the University of Hawaii at Hilo's Panaewa farm site.

Once built, operational funds will come from a combination of public and private research, equipment demonstrations, and some feed sales to local farmers. Opportunities for education and outreach are also included that would position Hawaii as a center for feeds processing research and training for the entire Pacific region. Construction of the Feeds Research and Pilot Production Facility has the support of the Hawaii congressional delegation, and the Hawaii animal agriculture and aquaculture industries. It also has strong support from the American Feed Industry Association to assist feed suppliers and equipment manufacturers test ingredients and showcase US feed manufacturing equipment.

OI has a long and respected history in aquaculture feeds development and is the only organization currently in Hawaii with the expertise and capabilities in feed manufacturing research of animal feeds. The requested grant to support the construction of the OI feed mill will make this opportunity for the State of Hawaii and our agriculture sector a reality.

Thank you,



Anthony C. Ostrowski, Ph.D.
President