

JAN 18 2013

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 constitute up to seventy per cent of total production
3 costs, whereas feed costs for mainland producers amount to
4 nearly fifty per cent of total production costs. In 2007, there
5 were five dairies and six egg farms of significant size in
6 Hawaii, with combined gross annual revenues of \$26,400,000.
7 Currently, there are only two dairies and four egg farms of
8 significant size, with combined gross annual revenues of
9 \$16,250,000. Since 2007, two dairies and four egg farms have
10 gone out of business, primarily due to the rising cost of feed
11 for livestock animals and the resulting increases in production
12 costs. Since October 2010, the cost of poultry feed alone has
13 increased approximately \$60 per ton and is expected to rise even
14 further.

15 Currently, one dairy and the four remaining egg farms are
16 threatened by closure. Such closures heighten the State's
17 dependence on imported foods and threaten the State's food
18 security and ability to achieve adequate levels of agricultural



1 self-sufficiency. Self-sufficiency is critical to Hawaii's food
2 security and its ability to respond effectively in the event of
3 natural disasters or disruptions in transportation.

4 The closure of local dairies and poultry farms also means
5 that children and adults throughout the State will no longer
6 have the option of selecting fresh, locally produced milk and
7 eggs. Consumers have often expressed interest in obtaining
8 locally produced milk but, unfortunately, the dairies do not
9 produce enough milk to meet consumer demand. The public has
10 expressed a similar interest in island-fresh beef, pork, sheep,
11 lamb, chicken, eggs, and seafood.

12 Locally produced fresh beef, milk, pork, lamb, chicken,
13 eggs, and seafood provide essential nutrition to consumers.
14 Transport times from offshore farms to Hawaii consumers create a
15 greater risk of food spoilage and resultant food-borne illnesses
16 due to the highly perishable nature of these products. Without
17 these local agricultural businesses, all beef, milk, pork, lamb,
18 chicken, and eggs would have to be imported into the State,
19 requiring up to ten days of shipping before being sold to
20 consumers. This increased shipping time reduces the expected
21 shelf life of fresh milk and eggs in particular.



1 The purpose of this Act is to provide funds to allow
2 qualified beef cattle, dairy, hog, poultry, goat, sheep, fish,
3 and crustacean farms to apply for and receive a reimbursement
4 for a percentage of each farm's feed expenses. With financial
5 support, the livestock industry will be able to continue to make
6 investments in modern equipment, expand and improve herds and
7 flocks, and develop new markets and products. This financial
8 support will serve a public purpose by enabling the livestock
9 industry to stabilize its operations, thereby contributing to
10 food security and increasing the competitiveness of the local
11 livestock industry with mainland suppliers.

12 SECTION 2. Section 155D-1, Hawaii Revised Statutes, is
13 amended by amending the definitions of "milk" and "qualified
14 producer" to read as follows:

15 "Milk" means the lacteal secretion, practically free from
16 colostrums, obtained by the milking of healthy cows or goats
17 normally produced or marketed through the channels of the fluid
18 milk trade[-] or for further processing into milk products.

19 "Qualified producer" means any person that at the time of
20 application for and disbursement of funds under this chapter is
21 in the business of producing:



- 1 (1) Milk from a herd, located in Hawaii, of not less than
- 2 three hundred fifty cows[+] or twenty-five lactating
- 3 milking goats;
- 4 (2) Poultry products from a flock, raised and located in
- 5 Hawaii, of not less than three thousand birds;
- 6 (3) Pork from a herd, raised and located in Hawaii, of not
- 7 less than fifty sows; [e#]
- 8 (4) Beef[+] that is grown, slaughtered, processed, and
- 9 marketed in Hawaii. Producers who finish at least one
- 10 hundred head of beef cattle annually shall be eligible
- 11 for this program[+] ;
- 12 (5) Sheep or lamb that are grown, slaughtered, processed,
- 13 and marketed in the State, with current annual sales
- 14 of not fewer than thirty sheep or lambs; or
- 15 (6) Fish or crustaceans, with current annual sales of not
- 16 less than two thousand pounds."

17 SECTION 3. Section 155D-2, Hawaii Revised Statutes, is
 18 amended by amending subsections (a), (b), and (c) to read as
 19 follows:

20 "(a) Applications for grants by qualified producers shall
 21 be submitted [+]on[+] a form furnished by the department and



1 shall be filed with accompanying documentation of animal feed
2 costs; provided that:

3 (1) The applicant shall comply with applicable federal and
4 state laws prohibiting discrimination against any
5 person on the basis of race, color, national origin,
6 religion, creed, sex, age, sexual orientation, or
7 disability;

8 (2) The applicant shall have applied for or received all
9 applicable licenses or permits;

10 (3) The applicant shall indemnify and hold harmless the
11 State and its officers, agents, and employees from all
12 claims arising out of or resulting from the feed
13 purchased;

14 (4) The subsidy shall not be allowed within a fiscal
15 quarter if the flock or herd size or, in the case of
16 fish or crustaceans, sale weight falls five per cent
17 or more below the required minimum of:

18 (A) Three thousand birds;

19 (B) Three hundred fifty cows;

20 (C) Fifty sows in any two months of the applicable
21 fiscal quarter; [ø]

22 (D) One hundred finished beef cattle annually;



1 (E) Twenty-five lactating milking goats;

2 (F) Sales of five hundred pounds of fish or

3 crustaceans in the applicable fiscal quarter;

4 (5) The grant shall not exceed a total of \$250,000 per
5 qualified producer per year; and

6 (6) The department may request an applicant to provide
7 necessary information for the purposes of verifying
8 flock or herd size and feed purchases.

9 (b) Documentation of animal feed costs, as requested by
10 the department, shall be filed for feed purchased within the
11 immediate preceding fiscal quarter of filing and shall be
12 effective for feed costs incurred after July 1, [~~2007~~] 2013.

13 (c) The applicant shall submit a quarterly financial
14 statement of farm revenues and expenses along with other
15 supporting documents as deemed necessary by the department, and
16 filed with the documentation of the feed costs. An annual
17 financial statement shall be filed with the department within
18 ninety days following the close of the business' fiscal year
19 after June 28, [~~2007~~] 2013 for final reconciliation of any
20 reimbursement paid during the previous three quarters within the
21 fiscal year. The financial statements shall be certified as



1 accurate by the applicant and the preparer of the financial
2 statement on forms prepared by the department."

3 SECTION 4. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$3,000,000 or so much
5 thereof as may be necessary for fiscal year 2013-2014 and the
6 same sum or so much thereof as may be necessary for fiscal year
7 2014-2015 for the agricultural development division of the
8 department of agriculture to:

- 9 (1) Reimburse qualified producers of milk, pork, eggs,
10 poultry, beef, lamb, and seafood, for the cost of feed
11 for beef cattle, dairy cows or goats, sheep, hogs,
12 fish, crustaceans, and poultry; and
- 13 (2) Provide funding for the administrative costs of the
14 livestock revitalization program.

15 The appropriations made for the purpose authorized under
16 this section shall not lapse at the end of the fiscal year for
17 which the appropriations are made; provided that any balance of
18 any appropriation that is not encumbered as of June 30, 2016,
19 shall lapse as that date.

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



1 SECTION 5. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 6. This Act shall take effect on July 1, 2013.
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Report Title:

Agriculture; Subsidy; Livestock Industry; Appropriation

Description:

Expands livestock feed subsidies to include sheep, lamb, fish and crustaceans. Appropriates funds.

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