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# 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. The 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 and to provide  
5 funds to allow qualified developers of feed to receive  
6 reimbursement for a percentage of the farm's feed expenses.  
7 With financial support, the livestock industry will be able to  
8 continue to make investments in modern equipment, expand and  
9 improve herds and flocks, and develop new markets and products.  
10 This financial support will serve a public purpose by enabling  
11 the livestock industry to stabilize its operations, thereby  
12 contributing to food security and increasing the competitiveness  
13 of the local livestock industry with mainland suppliers.

14           SECTION 2. Chapter 155D, Hawaii Revised Statutes, is  
15 amended by adding a new section to be appropriately designated  
16 and to read as follows:

17           "§155D-           Grants; qualified feed developer. (a)  
18 Applications for grants submitted by qualified feed developers  
19 shall be submitted on a form furnished by the department and  
20 shall be filed with accompanying documentation of feed  
21 development costs; provided that:



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

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

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

11       (4) The grant shall not exceed a total of \$225,000 per  
12       qualified feed developer per year; and

13       (5) The department may request an applicant to provide  
14       necessary information for the purposes of verifying  
15       actual sales to qualified producers.

16       (b) Documentation of animal feed development costs, as  
17       requested by the department, shall be filed for feed developed  
18       within the immediate preceding fiscal quarter of filing and  
19       shall be effective for feed development costs incurred after  
20       July 1, 2013.

21       (c) The applicant shall submit a quarterly financial  
22       statement of farm revenues and expenses along with other



1 supporting documents as deemed necessary by the department, and  
2 filed with the documentation of the feed development costs. An  
3 annual financial statement shall be filed with the department  
4 within ninety days following the close of the business' fiscal  
5 year after June 28, 2013, for final reconciliation of any  
6 reimbursement paid during the previous three quarters within the  
7 fiscal year. The financial statements shall be certified as  
8 accurate by the applicant and the preparer of the financial  
9 statement on forms prepared by the department.

10 (d) Funds shall be disbursed upon approval by the  
11 department to the qualifying feed developer for up to fifty per  
12 cent of the feed development costs incurred.

13 (e) Feed development costs shall be limited to only the  
14 feed developed for qualifying producers and shall not include  
15 the feed developed for resale or gift, or the cost of  
16 transportation to Hawaii. In no case shall costs be reimbursed  
17 to a qualified feed developer when, after evaluation and  
18 verification by the department, the department determines that  
19 the amount of reimbursement will result in an annual profit of  
20 more than ten per cent.



1       (f) The department shall aggregate the total grant claims,  
2 pursuant to this section and section 155D-2, and divide and  
3 distribute the available grant funds on a pro rata basis."

4       SECTION 3. Section 155D-1, Hawaii Revised Statutes, is  
5 amended as follows:

6       1. By adding a new definition to be appropriately inserted  
7 and to read:

8       "Qualified feed developer" means any person that at the  
9 time of application of and disbursement of funds under this  
10 chapter is in the business of cultivating feed crops to be sold  
11 to qualified producers."

12       2. By amending the definitions of "milk" and "qualified  
13 producer" to read as follows:

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

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



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

20 SECTION 4. Section 155D-2, Hawaii Revised Statutes, is  
21 amended to read as follows:



1 " ~~[+]§155D-2[+]~~ Grants[-]; qualified producer. (a)

2 Applications for grants by qualified producers shall be  
3 submitted [+]on[+] a form furnished by the department and shall  
4 be filed with accompanying documentation of animal feed costs;  
5 provided that:

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

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

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

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

21 (A) [~~Three thousand~~] Thirty birds;

22 (B) [~~Three hundred fifty~~] Ten cows;





- 1 (C) [~~Fifty~~] Ten sows in any two months of the
- 2 applicable fiscal quarter; [~~or~~]
- 3 (D) [~~One hundred~~] Twenty finished beef cattle
- 4 annually;
- 5 (E) Twenty-five lactating milking goats;
- 6 (F) Thirty sheep, lambs, or goats raised for meat
- 7 annually; or
- 8 (G) Sales of five hundred pounds of fish or
- 9 crustaceans in the applicable fiscal quarter;
- 10 (5) The grant shall not exceed a total of \$250,000 per
- 11 qualified producer per year; and
- 12 (6) The department may request an applicant to provide
- 13 necessary information for the purposes of verifying
- 14 flock or herd size or sale weight, as applicable, and
- 15 feed purchases.
- 16 (b) Documentation of animal feed costs, as requested by
- 17 the department, shall be filed for feed purchased within the
- 18 immediate preceding fiscal quarter of filing and shall be
- 19 effective for feed costs incurred after July 1, [~~2007-~~] 2013.
- 20 (c) The applicant shall submit a quarterly financial
- 21 statement of farm revenues and expenses along with other
- 22 supporting documents as deemed necessary by the department, and

1 filed with the documentation of the feed costs. An annual  
2 financial statement shall be filed with the department within  
3 ninety days following the close of the business' fiscal year  
4 after June 28, [~~2007~~] 2013, for final reconciliation of any  
5 reimbursement paid during the previous three quarters within the  
6 fiscal year. The financial statements shall be certified as  
7 accurate by the applicant and the preparer of the financial  
8 statement on forms prepared by the department.

9 (d) Funds shall be disbursed upon approval by the  
10 department to the qualifying producer for up to:

- 11 (1) Sixty per cent of the feed costs incurred for  
12 production of poultry products;
- 13 (2) Forty per cent of the feed costs incurred for milk  
14 production;
- 15 (3) Fifty per cent of the feed costs incurred for pigs  
16 raised in Hawaii and slaughtered for local  
17 consumption; [~~or~~]
- 18 (4) Fifty per cent of the feed costs for beef cattle  
19 raised in Hawaii and slaughtered in Hawaii for local  
20 consumption[~~or~~];



1        (5) Fifty per cent of the feed costs for sheep, lambs, and  
2                    goats raised in Hawaii and slaughtered in Hawaii for  
3                    local consumption; or

4        (6) Fifty per cent of the feed costs for fish or  
5                    crustaceans raised in Hawaii and processed for local  
6                    consumption.

7        (e) Feed costs shall be limited to only the feed fed to  
8 the qualifying flock [~~ex~~], herd, fish, or crustaceans and shall  
9 not include the feed purchases for resale or gift, or the cost  
10 of transportation to Hawaii. In no case shall costs be  
11 reimbursed to a qualified producer when, after evaluation and  
12 verification by the department, the department determines that  
13 the amount of reimbursement will result in an annual profit of  
14 more than:

- 15        (1) Twelve per cent for milk producers;
- 16        (2) Eight per cent for poultry producers;
- 17        (3) Eight per cent for pork producers; [~~ex~~]
- 18        (4) Eight per cent for beef producers[-];
- 19        (5) Eight per cent for sheep, lamb, or goat meat  
20                    producers; or
- 21        (6) Eight per cent for seafood producers.



1       (f) The department shall aggregate the total grant claims,  
2 pursuant to this section and section 155D- , and divide and  
3 distribute the available grant funds on a pro rata basis."

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

10       (1) Reimburse qualified producers of milk, pork, eggs,  
11            poultry, beef, lamb, goats, and seafood, for the cost  
12            of feed for beef cattle, dairy cows or milking goats,  
13            goats raised for meat, sheep, hogs, fish, crustaceans,  
14            and poultry;

15       (2) Reimburse qualified feed developers for the costs of  
16            development of feed for sale to qualified producers;  
17            and

18       (3) Provide funding for the administrative costs of the  
19            livestock revitalization program.

20       SECTION 6. The appropriations made for the purpose  
21 authorized under section 5 shall not lapse at the end of the  
22 fiscal year for which the appropriations are made; provided that



1 any balance of any appropriation that is not encumbered as of  
2 June 30, 2016, shall lapse as of that date.

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

5 SECTION 7. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 8. This Act shall take effect on July 1, 2050.



**Report Title:**

Agriculture; Subsidy; Livestock Industry; Appropriation

**Description:**

Expands livestock feed subsidies to include milking goats, goats raised for meat, sheep, lambs, fish, and crustaceans. Creates a livestock feed developer subsidy. Appropriates funds. Effective July 1, 2050. (SB593 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

