

**NEIL ABERCROMBIE**  
Governor



**RUSSELL S. KOKUBUN**  
Chairperson, Board of Agriculture

**SCOTT E. ENRIGHT**  
Deputy to the Chairperson

State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
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**TESTIMONY OF RUSSELL S. KOKUBUN  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE  
ON  
AGRICULTURE**

**MARCH 25, 2013  
10:35 A.M.  
ROOM 312**

**HOUSE CONCURRENT RESOLUTION NO. 102  
REQUESTING THE DEPARTMENT OF AGRICULTURE TO IMPLEMENT  
DIFFERENTIATED WATER TOLL RATES AND CHARGES FOR THE HAMAKUA  
DISTRICT IRRIGATION SYSTEM**

Chair Wooley and Members of the Committee:

Thank you for the opportunity to testify on House Concurrent Resolution No. 102. The purpose of this resolution is to request that the department of agriculture perform a study to implement differentiated water toll rates and charges for the Hamakua district irrigation system. The department respectfully opposes this resolution.

At the current rate of fifty cents per thousand gallons of irrigation water delivered, the department maintains a very reasonable agricultural water rate. Hawaii County agricultural water rates are approximately \$1 per thousand gallons and other non-potable irrigation water systems are also within the 50 cents to \$2 per thousand gallon range. When the legislature transferred the operation and management of State owned irrigation systems to the department of agriculture in 1987, it also created the irrigation system revolving fund. By doing so, it removed the program expenses from the general fund and placed them in the new revolving fund. By legislative mandate, revolving funds are meant to be self-sufficient. The revolving fund encompasses all of the State's irrigation systems which allows the department to create a level playing field for all



irrigation users throughout the state, regardless of the size of the system. If this was not done, agriculture in certain areas would not be possible due to the extremely high cost of irrigation water. In many cases, due to the county's ability to supplement agricultural rates, county agricultural rates are lower than the rates it would need to charge to be self-sufficient.

Even as it exists now, the revolving fund maintains its solvency because of assistance from the Agricultural Development and Food Security special fund. Several professional and irrigation worker positions are paid from this same special fund which has allowed the department to keep the delivery rates as low as they are.

The Hamakua system has the potential to deliver significantly more water than it currently does. We continue to work with farmers and ranchers along the system to open new acreage. Should this system reach its potential, the administrative rules allow the Board of Agriculture to lower the delivery rates to maintain a neutral cash flow situation. In addition, should the department receive a grant for a specific system, the board can lower the rates for that system for the duration of the grant.

The department strives to promote all forms of agriculture in a fair and consistent manner and strongly feels that carving out individual irrigation systems to stand on their own will significantly hurt the State's desire to move toward food security.

The department is also pursuing a statewide pilot project to provide reduced water rates for pasture irrigation for the purpose of promoting a consistently high-quality, local, grass-fed beef product. This pilot project to adjust water rates would provide data that could be used in a discussion on differentiated water toll rates.

Thank you for the opportunity to testify.



Hawaii's Agricultural Partnership

HOUSE COMMITTEE ON AGRICULTURE

Monday March 25, 2013 10:35 a.m. Room 312

**HCR 102**

REQUESTING THE DEPARTMENT OF AGRICULTURE TO IMPLEMENT  
DIFFERENTIATED WATER TOLL RATES AND CHARGES FOR THE HAMAKUA  
DISTRICT IRRIGATION SYSTEM.

Chair Wooley, Vice Chair Onishi and Members of the Committees:

**4 Ag Hawaii strongly supports HCR 102**

Hawaii's cattle industry faces a number of substantive challenges, including increasing fuel and transportation costs, the escalating costs of livestock feed, limited and aging processing facilities, and ongoing drought conditions that disrupt cattle weight gains and interrupt the marketing of consistent high quality beef. However, the growing demand by restaurants and local consumers for local grown grass fed beef presents an opportunity for Hawaii Beef provided conditions in Hawaii are optimal for raising consistent, high quality grass fed beef.

Due to inconsistent rainfall, unavailable irrigation systems, and, in those places where irrigation is available, unaffordable water rates, getting cattle to optimum weight for slaughter on a grass diet in Hawaii is currently limited to a few exceptional geographic locations that have year round consistent rainfall. Currently, the water rates are set so high that the majority of water from many State water systems is unused and wasted. The Hamakua District Water system is a prime example, because so much of its water goes unused.

4 Ag Hawaii is a non-profit 501(c) (3) corporation established as a public-private partnership focused on goals that include: promoting the agricultural economic welfare of Hawai'i and its counties; conducting agricultural economic; educational & media programs, and fostering statewide interest for responsible agricultural economic development of our islands.

Thank you for the opportunity to provide testimony on this matter.



## Hawaii Cattlemen's Council, Inc.

P O Box 437199 Kamuela HI 96743  
Phone (808) 885-5599 • Fax (808) 887-1607  
e-mail: [HCattlemens@hawaii.rr.com](mailto:HCattlemens@hawaii.rr.com)

HOUSE COMMITTEE ON AGRICULTURE  
Monday March 25, 2013 10:35 a.m. Room 312

### **HCR 102**

REQUESTING THE DEPARTMENT OF AGRICULTURE TO IMPLEMENT DIFFERENTIATED WATER TOLL RATES AND CHARGES FOR THE HAMAKUA DISTRICT IRRIGATION SYSTEM.

Chair Wooley, Vice Chair Onishi and Members of the Committees:

My name is Alan Gottlieb, and I am a rancher and the Government Affairs Chairperson 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 strongly supports HCR 102

Hawaii's cattle industry faces a number of challenges, including high fuel and transportation costs, the rising costs of livestock feed, limited and aging processing facilities, and ongoing drought conditions that disrupt cattle weight gains and interrupt the marketing of consistent high quality beef. However, the growing demand by restaurants and local consumers for local grown grass fed beef presents a golden opportunity for Hawaii beef cattle industry provided conditions in Hawaii are optimal for raising consistent, high quality grass fed beef.

Despite this opportunity, beef cattle producers face production challenges. One of the significant challenges is finding or producing consistent high quality pasture to get cattle ready for market. Due to inconsistent rainfall, unavailable irrigation systems, and, in those places where irrigation is available, unaffordable water rates, getting cattle to optimum weight for slaughter on a grass diet in Hawaii is currently limited to a few exceptional geographic locations that have year round consistent rainfall. For these reasons currently only ten per cent of the cattle produced in the State annually is being brought up to optimum weight for slaughter on grass in the State. Other agricultural commodities face or faced the same limitations due to water shortages, including sugar cane and vegetable crops. However with irrigation of these lands, high productivity is achievable. In certain locations throughout the State where irrigation systems developed by the sugar industry remain in place, the production of high quality grass finished beef can be increased.

Currently, the water rates are set so high that the majority of water from many State water systems is unused and wasted. The Hamakua District Water system is a prime example, because so much of its water goes unused. Lowering the cost of water from the Hamakua Water System for pasture irrigation purposes will in fact raise revenues for the water system and the State by selling water which now goes unused. Such a measure would encourage ranchers to set up pastures which would have access to the Hamakua Irrigation system to raise calves which are otherwise now being shipped out of State for finishing on the Mainland. This would be consistent with your goals for food security, sustainability, and the Governors New Day Plan.

We appreciate this opportunity to provide testimony on this matter.



## Hawaii Cattlemen's Council, Inc.

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HOUSE COMMITTEE ON AGRICULTURE  
Monday March 25, 2013 10:35 a.m. Room 312

### **HCR 102**

REQUESTING THE DEPARTMENT OF AGRICULTURE TO IMPLEMENT DIFFERENTIATED WATER TOLL RATES AND CHARGES FOR THE HAMAKUA DISTRICT IRRIGATION SYSTEM.

Chair Wooley, Vice Chair Onishi and Members of the Committees:

My name is Alex Franco; I'm a beef processor on Maui and President of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is a statewide organization comprised of five county level Cattlemen's Associations that have over 130 members and occupy approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council strongly supports HCR 102

Hawaii's cattle industry faces a number of challenges, one of these challenges is supplying the increasing demand for locally grown grass fed beef. Unfortunately, without the ability to consistently grow out cattle to market weights, having this huge demand is meaningless to our industry. An example to this is Maui Cattle Company (MCC) which was established in 2002 and saw the demand for its product increase from 200 animals per year to 2600 after six years in operation, and still fell short of demand. Drought conditions which started in 2009 to present forced market cattle numbers down to under a 1000 animals in 2012.

MCC is presently making up this short fall with beef produced on the Hamakua Coast by Hawaii Beef Producers (HBP). HBP along with other ranchers are beginning to grass finish more numbers of animals off of pasture that is located right below the Hamakua ditch system. Hamakua puts four critical resources together in one location to sustain local grass fed beef production, a modern beef processing facility, high quality pasture, cattle, and a gravity flow irrigation water delivery system.

This potential cattle production resource is not only beneficial to the Big Island, but through out the State. Cattle can be grown out to market weights on the Hamakua Coast, harvested and fabricated into beef primal cuts by HBP and economically shipped to other islands similar to what is being shipped weekly to MCC. This would truly mitigate the impact of drought conditions on this growing market for grass fed products.

Unfortunately, the water rates off of the Hamakua ditch system is set to high, which in turn discourages use and much of the potential of this irrigation system goes unused. Reducing the water cost off of the Hamakua ditch system would stimulate local grass fed beef production system that could meet the growing demand for locally raised grass fed beef and encourage more ranchers to keep their cattle in Hawaii.

We appreciate this opportunity to provide testimony on this matter.



**onishi1-Jerry**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 24, 2013 9:46 AM  
**To:** AGRtestimony  
**Cc:** hawaiiifish@gmail.com  
**Subject:** Submitted testimony for HCR102 on Mar 25, 2013 10:35AM

**HCR102**

Submitted on: 3/24/2013

Testimony for AGR on Mar 25, 2013 10:35AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ron Weidenbach	Hawaii Aquaculture and Aquaponics Association	Support	No

Comments: The HAAA strongly supports this measure which would request the DOA to implement differentiated water toll rates for the Hamakua irrigation system for different uses to encourage better overall utilization of the water from this system resulting in lower per unit operational costs, with tolls being set according to economic output of the intended use of such water. This would encourage the development of irrigated pastures, and perhaps in the future could be integrated with aquaculture and aquaponics to provide dissolved nutrients to further enhance pasture growth and nutritional value, and increased calf production.

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**onishi1-Jerry**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 23, 2013 5:32 AM  
**To:** AGRtestimony  
**Cc:** cwong-wmm@hawaii.rr.com  
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**HCR102**

Submitted on: 3/23/2013

Testimony for AGR on Mar 25, 2013 10:35AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Calvin Wong	Wong's Meat Market, Ltd.	Support	No

Comments:

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**onishi1-Jerry**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 23, 2013 11:38 AM  
**To:** AGRtestimony  
**Cc:** pono@ponoholo.com  
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**HCR102**

Submitted on: 3/23/2013

Testimony for AGR on Mar 25, 2013 10:35AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Harry von Holt	Ponoholo Ranch, Ltd	Support	No

Comments:

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**onishi1-Jerry**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 24, 2013 1:47 PM  
**To:** AGRtestimony  
**Cc:** Psgmikilua@aol.com  
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**HCR102**

Submitted on: 3/24/2013

Testimony for AGR on Mar 25, 2013 10:35AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Phyllis Shimabukuro-Geiser	Individual	Support	No

Comments:

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**onishi1-Jerry**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 23, 2013 12:33 AM  
**To:** AGRtestimony  
**Cc:** wislts@hotmail.com  
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**HCR102**

Submitted on: 3/23/2013

Testimony for AGR on Mar 25, 2013 10:35AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Wayne Shimokawa	Individual	Support	No

Comments:

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HOUSE COMMITTEES ON AGRICULTURE/ENERGY & ENVIRONMENTAL PROTECTION  
March 25, 2013 — 10:30 a.m. — Room 312

**Ulupono Initiative Strongly Supports HCR 102, Requesting the Department of Agriculture to Implement Differentiated Water Toll Rates and Charges for the Hamakua District Irrigation System**

Chairs Wooley and Lee, Vice Chairs and Members of the Committees:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono strongly supports HCR 102, which would encourage the Board of Agriculture and Department of Agriculture staff to implement differentiated water rates for the Hamakua Irrigation System. This administrative action could start the process for the most important action the Board of Agriculture can take to help ranchers address the severe drought condition AND bring statewide water systems back to economic health.

Under HRS 167, 168 and 267, the Board of Agriculture is statutorily empowered to develop water rates as it finds necessary to help keep the Irrigation system revolving fund under HRS 167-22 solvent. There is absolutely no requirement to charge the same rate on all systems, or the same rate to all users. The Board of Agriculture increased rates to all users to \$0.50/per 1,000 gallons, and on July 1, 2011 promulgated its own regulations to limit rate movements from this very high rate to no more than \$0.02/per 1,000 gallons. The Board of Agriculture also promulgated regulations allowing third parties to subsidize the rates for a fixed period of time, but this does not solve the underlying problem.

By analogy, if an airline only sold first-class seats, it would find most of the plane was empty. If that airline did not raise enough revenue to pay its operating costs, and continued to raise the price of plane tickets, it would find more empty seats on the plane. Freezing the rates at first-class ticket prices does very little to help bring new customers onto the system. In fact, what it does is reserve those seats only for first-class customers.

As a result of its very high rates, the statewide irrigation system revolving fund does not sell enough water to cover its costs even when water IS available during drought conditions that have severely limited water across the state. The entire system costs about \$1 million to operate annually but revenues have ranged between \$800,000-900,000, mostly from seed corn companies that can afford such rates because of their economies of scale. The Hamakua system — which can have upwards of 10-15 million gallons per day of water flow depending on the season — sells less than 1 percent of the total system volume because the rates are unaffordable to ranchers and farmers. The current Hamakua rates are generally affordable to such large

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operations as seed corn companies or specialty agricultural companies which rely on exports for revenues, but the terrain is not amenable to their operations.

Ranchers and farmers can afford rates between \$0.15 - \$0.25/gallon for irrigated agriculture of pasture and/or the crops can practically be grown in the soils of the Hamakua coast. Ulupono estimates that the increase in revenues from the Hamakua system could pay for the annual deficit of the irrigation system revolving fund. Therefore, this would benefit all users in the entire state, since it avoids the need to continue to raise water rates to cover the deficit, which has been the historical pricing approach by Board of Agriculture.

More importantly, affordable water would allow the ranching industry to shift to a homegrown grass-fed cattle industry where the cattle stay in Hawai'i from birth to plate. That would represent a significant shift away from an industry that ships most calves off to mature on the Mainland, providing significantly more local food, and a tremendous number of jobs.

Legislative action is needed because no action has been taken on this option except continued rate increases, despite five years of discussions with the Hamakua farmers, ranchers, and landowners.

We believe that working together we can help produce more local food, support an economically strong homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta  
General Partner

**onishi1-Jerry**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 25, 2013 7:21 AM  
**To:** AGRtestimony  
**Cc:** brian@hfbf.org  
**Subject:** \*Submitted testimony for HCR102 on Mar 25, 2013 10:35AM\*

**HCR102**

Submitted on: 3/25/2013

Testimony for AGR on Mar 25, 2013 10:35AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Dean Okimoto	Hawaii Farm Bureau	Support	No

Comments:

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