



Hawaii Cattlemen's Council, Inc.

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SENATE COMMITTEE ON WAYS & MEANS
Thursday April 4, 2013 9:50 a.m. Room 211

SCR122/SR 85 SD1

REQUESTING THE DEPARTMENT OF AGRICULTURE TO IMPLEMENT A SCHEDULE OF REDUCED IRRIGATION WATER TOLL RATES AND CHARGES FOR THE ISLAND OF HAWAII THAT DIFFERENTIATES AMONG DIFFERENT IRRIGATION SYSTEM AREAS AND AGRICULTURAL USERS TO PROMOTE THE DEVELOPMENT AND EXPANSION OF HAWAII-GROWN AGRICULTURAL COMMODITIES THROUGH INCREASED USE OF IRRIGATION WATER.

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

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 SCR 122/SR 85 SD1

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.



Email: communications@uluponoinitiative.com

SENATE COMMITTEE ON WAYS AND MEANS
Thursday, April 4, 2013 — 9:50 a.m. — Room 211

Ulupono Initiative Supports SCR 122 SD1/SR 85 SD1, Requesting the Department of Agriculture to Implement a Schedule of Reduced Irrigation Water Toll Rates and Charges for the Island of Hawai'i that Differentiates Among Different Irrigation System Areas and Agricultural Users to Promote the Development and Expansion of Hawai'i Grown Agricultural Commodities Through Increased Use of Irrigation Water

Chairs Nishihara and Baker, 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 supports SCR 122 SD1/SR 85 SD1, requesting the Department of Agriculture to implement a schedule of reduced irrigation water toll rates and charges for the Island of Hawai'i that differentiates among different irrigation system areas and agricultural users to promote the development and expansion of Hawai'i grown agricultural commodities through increase us of irrigations water.

This would encourage the Board of Agriculture and Department of Agriculture staff to implement differentiated water rates for the Island of Hawai'i. 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.

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 on Hawai'i Island. 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 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