

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
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State of Hawaii
DEPARTMENT OF AGRICULTURE
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TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

February 12, 2015
8:30 A.M.
CONFERENCE ROOM 312

HOUSE BILL NO. 508
RELATING TO AGRICULTURE

Chairpersons Tsuji and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 508. The bill proposes to establish a grant program for qualified feed developers within the Livestock Revitalization Program. The department supports the intent of the bill.

The department has initiated a feed development process to identify, assess, and validate available local feed ingredients. The goal of the department is to reduce the cost of production for our local livestock and aquaculture industries through lowering the cost of feed.

The department has offered a House Draft 1 which clarifies how the grant claims will be distributed and the definition of a "qualified feed developer". For consistency purposes, we are requesting that the term "feed development costs", as used in the bill, be replaced with "cost of goods sold". The department is also requesting that a partial amount of the appropriation be designated to the department to continue with the feed development identification, assessment and validation process.

Thank you for the opportunity to testify on this measure.



A BILL FOR AN ACT

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4 RELATING TO AGRICULTURE

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6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**
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8 Hawaii livestock industries consistently identify the cost
9 of feed as the most expensive input for their operations. This
10 concern is mirrored in the national and global focus on reducing
11 feed costs by replacing high cost ingredients with lower costs
12 alternatives. Hawaii's situation is exacerbated by the need to
13 import feed due to the lack of a local feed mill. However, after
14 years of local workshops and research, the local feed situation
15 has not improved.

16 The Hawaii Department of Agriculture is committed to
17 addressing industry feed concerns. Potential local feed
18 ingredients exist in Hawaii. The department has initiated a feed
19 development process to identify, assess and validate available
20 local feed ingredients.

21 The goal is to reduce the cost of production for our local
22 livestock and aquaculture industries through lowering the cost of
23 feed.

24 SECTION 1. Chapter 155D, Hawaii Revised Statutes, is
25 amended by adding a new section to be appropriately designated
26 and to read as follows:

27 "§155D- Grants; qualified feed developer. (a)
28 Applications for grants submitted by qualified feed developers
29 shall be submitted on a form furnished by the department and

1 shall be filed with accompanying documentation of feed
2 development 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 any
9 applicable licenses or permits; The applicant shall
10 indemnify and hold harmless the State and its
11 officers, agents, and employees from all claims
12 arising out of or resulting from the feed sold;

13 (3) The grant shall not exceed a total of \$200,000 per
14 qualified feed developer per year; and

15 (4) The department may request an applicant to provide any
16 necessary information for the purposes of verifying
17 actual sales to qualified producers.

18 (b) Documentation of animal feed development costs, as
19 requested by the department, shall be filed for feed developed
20 within the immediate preceding fiscal quarter of filing and
21 shall be effective for feed development costs incurred after
22 June 30, 2015.

23 (c) The applicant shall submit a quarterly financial
24 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, 2015, 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 qualified feed developer for up to fifty per
12 cent of the [~~feed development costs incurred~~] ~~cost of goods~~
13 cost of goods sold, as verified by a certified accountant.

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

22 (f) The department shall aggregate the total grant claims
23 pursuant to this section and divide and distribute the available
24 grant funds on a pro rata basis.

1 SECTION 2. Section 155D-1, Hawaii Revised Statutes, is
2 amended by adding a new definition to be appropriately inserted
3 and to read as follows:

4 "Qualified feed developer" means any person that at the
5 time of application for and disbursement of funds under this
6 chapter, is in the business of cultivating feed crops or
7 manufacturing feed for qualified producers, as defined in this
8 chapter."

9 Section 3. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ or so much
11 thereof as may be necessary for fiscal year 2015-2016 and the
12 same sum or so much thereof as may be necessary for fiscal year
13 2016-2017 for the livestock revitalization program of the
14 [~~agricultural development division of the~~] department of
15 agriculture that shall be allocated as follows:

16 (1) \$ to reimburse qualified producers of milk,
17 pork, eggs, poultry, beef, sheep, lamb, goats and
18 seafood, for the cost of feed for beef cattle, dairy
19 cows, or milking goats, goats raised for meat, sheep,
20 hogs, fish crustaceans, and poultry; and

21 (2) \$ to reimburse qualified feed developers for the
22 costs of development of feed for sale to qualified
23 producers; provided that from the sum appropriated,
24 the department of agriculture may expend up to \$15,000

1 to administer and operate the qualified feed developer
2 grant program pursuant to section 155-D , Hawaii
3 Revised Statutes, including support services and
4 general administrative overhead.

5 Section 4. There is appropriated out of the general
6 revenues of the State of Hawaii the sum of \$ or so much
7 thereof as may be necessary for fiscal year 2015-2016 and the
8 same sum or so much thereof as may be necessary for fiscal year
9 2016-2017 for the department of agriculture to conduct the
10 identification, assessment and validation of locally sourced
11 feed ingredients.

12 The sum appropriated shall be expended by the department of
13 agriculture for the purposes of this Act.

14 SECTION 4. The appropriation made for the purpose
15 authorized under section 3 of the Act shall not lapse at the end
16 of the fiscal year for which the appropriation that is not
17 encumbered as of June 30, 2017, shall lapse as of that date.

18 SECTION 5. New statutory material is underscored.

19 SECTION 6. This Act shall take effect on July 1, 2015.

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February 12, 2015

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 508
RELATING TO AGRICULTURE

Room 312
8:30 AM

Aloha Chair Tsuji, Vice Chair Onishi and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,932 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFB is in strong support of HB 508, which provides funds to allow qualified beef cattle, dairy, hog, poultry, goat, sheep, fish, and crustacean farms to apply for funds for their farms' feed expenses. It also establishes a program to provide grants for livestock feed developers.

Hawaii's livestock industry faces numerous challenges. One of their biggest challenges is the rising cost of feed for livestock production. These costs have been a contributing factor to the decline of the state's livestock industry.

In 2007, there were 5 dairies and 6 egg farms in Hawaii. Since then, 3 of those dairies and 4 off those egg farms have gone out of business. The remaining egg farms and another dairy are currently threatened with closure, due to rising production costs, primarily the cost of feed.

HB 508 will help keep fresh, locally produced milk, eggs, beef, pork, poultry, sheep, lamb, fish and crustaceans available to the residents of Hawaii and will help to revitalize our dwindling livestock industry. A decrease or absence of livestock production increases the State's reliance on the importation of food and threatens the State's food security.

Thank you for the opportunity to comment on this measure.



Email: communications@uluponoinitiative.com

HOUSE COMMITTEE ON AGRICULTURE
Thursday, February 12, 2015 — 8:30 a.m. — Room 312

Ulupono Initiative Strongly Supports HB 508, Relating to Agriculture

Dear Chair Tsuji, Vice Chair Onishi, and Members of the Committee:

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 HB 508, which provides grants to qualified feed developers via the Department of Agriculture's Livestock Revitalization Program. Feed costs for livestock production in Hawai'i can comprise 70 percent of production cost, and our concern is that we need to keep our livestock producers in business. We anticipate through grass-fed initiatives and feed research, that the agricultural sector will be able to affordably produce its own feed within a few years. We cannot afford to lose our people – our ranchers, aquaculture and poultry farmers. While the industry works to create more homegrown feed, the subsidy is needed to help sustain the industry.

Furthermore, after conducting an analysis on the provisions for this bill, we believe it will help feed development research by Hawai'i Pacific University, the University of Hawai'i and other universities, as well as for businesses that raise animals that are currently under development.

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

Investing in a Sustainable Hawai'i



Hawaii Cattlemen's Council, Inc.

P O Box 437199 Kamuela HI 96743

Phone (808) 885-5599 • Fax (808) 887-1607

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HOUSE COMMITTEE ON AGRICULTURE
Thursday February 12, 2015 8:30 a.m. Room 312

HB 508 RELATING TO AGRICULTURE

Establishes within the Livestock Revitalization Program of the Department of Agriculture a program to provide grants to qualified feed developers.

Chair Tsuji, Vice Chair Onishi and Members of the Committee:

My name is Alan Gottlieb, and I am a rancher and the Government Affairs Chairperson 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 supports HB 508.

Many Hawaii livestock producers rely on imported grain to sustain their animals and these feed costs are a significant part of their overall expense. While we had a good winter last year, the previous 9 years of drought in Hawaii's largest cattle raising regions made it clear that we need to develop more feed resources here in Hawaii. We continue to hear about pilot projects for feed mills here in Hawaii, and bi-products from bio-energy crops, but these have still not come to fruition.

We support policies to strengthen the cattle industry and allow us to keep more of our Hawaii born calves in Hawaii (currently about 90% of our calves are shipped out of State by boat and airplane for pasture and finishing elsewhere). With the growing demand by restaurants and local consumers for local grown beef presents a golden opportunity for Hawaii beef cattle industry provided conditions in Hawaii are optimal for raising consistent, high quality beef.

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. For this reason, having a good supplemental feed, grown in Hawaii is essential in many cases.

If we can develop local feeds to feed Hawaii Livestock, this will go a long way in helping all Hawaii Livestock producers and the Hawaii cattle industry to keep more of our calves here in Hawaii for finishing for local markets.

Thank you for giving me the opportunity to testify on this important matter.



February 10, 2015

Representative Clift Tsuji, Chair
Representative Richard H.K. Onishi, Vice-Chair
House Committee on Agriculture

Representative Derek S.K. Kawakami, Chair
Representative Sam Satoru Kong, Vice Chair
House Committee on Economic Development & Business

Testimony in Support of HB 508, Relating to Agriculture (Establishes Within the Livestock Revitalization Program of the Department of Agriculture, a Program to Provide Grants to Qualified Feed Developers).

Thursday, February 12, 2015, 8:30 a.m., in Conference Room 312

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide testimony **in support of HB 508**, and to offer comments.

HB 508. As an advocate for the various agricultural stakeholder groups who defend the goals of viable agricultural operations and the conservation and protection of agriculture, including important agricultural lands in Hawaii, LURF supports this measure which seeks to help revitalize the State's livestock industries by establishing within the Department of Agriculture's Livestock Revitalization Program, a program to provide grants to qualified feed developers.

LURF's Position. LURF members include private property owners, farmers and ranchers who own, maintain, and engage in agricultural enterprises, and who consider such measures critical to the conduct of their operations and to help sustain their businesses. These land owners and agricultural stakeholders believe HB 508 and the ensuing establishment of such a grant program will greatly assist with feed costs which have been a contributing factor to the decline of the State's livestock industry.

As this Committee may already be aware, Hawaii's livestock industry faces numerous challenges, one if not the greatest being the unsustainable availability and cost of feed for livestock production. Most local dairies and egg and poultry farms have already gone out of business or are currently threatened with closure due to rising production (mainly

feed) costs. This measure will assist in continuing to make locally produced milk, eggs, beef, pork, poultry and other products available to Hawaii residents, and will help revitalize the State's declining livestock industry.

Decreased or limited livestock production increases the State's reliance on the importation of food and threatens the State's food security. As potential issues relating to public health, and food safety and security continue to be a significant concern, LURF and its members appreciate this measure being taken to assist agricultural stakeholders.

For the reasons stated above, LURF is **in support of HB 508**, and respectfully urges your favorable consideration of this bill.

Thank you for the opportunity to present testimony in support of this measure.

onishi3 - Timothy

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 09, 2015 2:42 PM
To: AGRtestimony
Cc: cathyg@animalrightshawaii.org
Subject: *Submitted testimony for HB508 on Feb 12, 2015 08:30AM*

HB508

Submitted on: 2/9/2015

Testimony for AGR on Feb 12, 2015 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Cathy Goeggel	Animal Rights Hawai'i	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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