

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
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**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

**MARCH 22, 2017
8:30 A.M.
CONFERENCE ROOM 312**

**SENATE BILL NO. 612 SD2 Proposed HD1
RELATING TO AGRICULTURE**

Chairperson Creagan and Members of the Committee:

Thank for the opportunity to testify on Senate Bill 612 SD2, Proposed HD1, which proposes to appropriate funds for feed developers and reimbursements to qualified producers for feed costs and authorizes general obligation bonds for the planning, designing, and purchasing of a livestock feed mill. The department strongly supports this bill.

Feed remains one of the most expensive costs to local farmers in the State. The department is currently accepting applications from feed developers for the cost of development of feed for sale to qualified producers and has processed the applications for qualified producers of milk, pork, eggs, poultry, beef, sheep, lamb, goats, and seafood for feed costs incurred for fiscal year 2016-2017. Programs such as these helps defray the production costs associated with farming in Hawaii.

The appropriation for the planning, designing and purchasing of a livestock feed mill was originally approved and enacted in the budget bill, Act 124, SLH 2016. This bill simply provides the legislative findings and public purpose for which these funds will serve. The department believes that the livestock feed mill will help the state reduce



waste, reduce livestock production, and produce a feed to enable aquaculture operations in the State to thrive.

Thank you for the opportunity to testify on this measure.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2017**

ON THE FOLLOWING MEASURE:

S.B. NO. 612, S.D. 2, PROPOSED H.D. 1, RELATING TO AGRICULTURE.

BEFORE THE:

HOUSE COMMITTEE ON AGRICULTURE

DATE: Wednesday, March 22, 2017 **TIME:** 8:30 a.m.

LOCATION: State Capitol, Room 312

TESTIFIER(S): Douglas S. Chin, Attorney General, or
Andrew Goff, Deputy Attorney General

Chair Creagan and Members of the Committee:

The Department of the Attorney General provides the following technical comments on this bill, the purpose of which is to further the State's goals of reducing waste, reducing livestock production costs, and producing livestock feed within the State.

We note that the proposed amendments to the bill add a part II, authorizing the Director of Finances to issue general obligation bonds for a capital improvement project. The bill also appropriates money from the sale of the general obligation bonds for the capital improvement project. The bill, however, does not delineate an expending agency. We therefore recommend that the following be included in part II, section 5, at page 5, line 13: "The sum appropriated shall be expended by the agribusiness development corporation for the purposes of this Act."

Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 20, 2017 5:50 PM
To: AGRtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB612 on Mar 22, 2017 08:30AM*

SB612

Submitted on: 3/20/2017

Testimony for AGR on Mar 22, 2017 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	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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DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE COMMITTEE ON AGRICULTURE

Wednesday, March 22, 2017
8:30 a.m.

SENATE BILL NO. 612
RELATING TO AGRICULTURE

Chairperson Creagan and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation (“ADC”). The ADC strongly supports Senate Bill No. 612 which appropriates funds to the Department of Agriculture for the feed developer grant program and reimbursements to qualified producers for feed cost. Specifically, the ADC supports the proposed Part II of this bill which authorizes GO bonds for the planning, designing, and purchasing of a livestock feed mill.

The justification for this addition is that this appropriation in Part II was originally approved and enacted in the 2016-2017 budget bill, Act 124. This proposed bill simply provides the legislative findings and public purpose for which these funds will serve. The ADC believes that the livestock feed mill will help the state reduce waste, reduce livestock production, and produce a livestock feed to enable aquaculture operation in the state to thrive.

Thank you for the opportunity to testify, and for your consideration of this bill.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 20, 2017 11:57 AM
To: AGRtestimony
Cc: cathyg@animalrightshawaii.org
Subject: *Submitted testimony for SB612 on Mar 22, 2017 08:30AM*

SB612

Submitted on: 3/20/2017

Testimony for AGR on Mar 22, 2017 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Cathy Goeggel	Animal Rights Hawai'i	Oppose	Yes

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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Email: communications@ulupono.com

HOUSE COMMITTEE ON AGRICULTURE
Wednesday, March 22, 2017 — 8:30 a.m. — Room 312

Ulupono Initiative Strongly Supports SB 612 SD 2 HD 1 with Amendments, Relating to Agriculture

Dear Chair Creagan, Vice Chair DeCoite, and Members of the Committee:

My name is Kyle Datta and I am General Partner of 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 produced food; increase affordable, clean, renewable energy; and reduce waste. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono strongly supports SB 612 SD 2 HD 1, which provides grants to qualified feed developers via the Department of Agriculture's Livestock Revitalization Program, because it aligns with our goal of creating more locally produced food.

Feed is the single largest cost of any animal agriculture operation and currently all feed in Hawai'i is imported from mainland feed manufacturers such as Cargill, Land O'Lakes feed, Nutreco, and Ewos. 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.

This chart shows an estimated range of costs for feed:

Feed Type	Ingredient Cost per Ton	Need Protein Supplement Add?	Shipping Cost to Hawai'i per Ton	Total Cost per Ton
Shrimp	\$2,500	No	+\$200	\$2,700
Tilapia	\$1,700	No	+\$200	\$1,900
Pig (Babies)	\$800	No	+\$200	\$1,000
Pig (Mature)	\$500	No	+\$200	\$700
Cargill Protein	\$720	No	+\$200	\$920
Soybean Meal	\$400	Yes	+\$200	\$600 + Protein Supplement

Investing in a Sustainable Hawai'i

Alfalfa	\$250	Yes	+\$200	\$450 + Protein Supplement
Corn	\$200	Yes	+\$200	\$400 + Protein Supplement

High feed costs have directly caused the demise of the local chicken broiler industry, and now threaten the established chicken egg layer, pork, dairy, and beef cattle sectors, as well as the growing aquaculture industry in Hawai‘i. Rising ingredient prices and demand for scarce supplies have led to the evaluation and development of alternative ingredients worldwide, especially in aquaculture, where fishmeal and fish oil are in increasingly short supply.

Currently, there are no companies producing feeds at a commercial scale in Hawai‘i. Commercial-scale trials are necessary to test the economic feasibility of locally produced feeds. If locally produced feeds can be economically viable for both producers and consumers of the feeds, it is hoped that a full commercial-scale feed industry (20,000 to 100,000 ton per year) can be re-established in Hawai‘i. We also know that there is already significant agricultural waste in the existing system. The larger scale by-products include fishery waste, vegetable/fruit waste, mill run, and glycerin. Collectively, these could already be the basis for current animals feeds once research and a mill is operational. Such an effort would have to coincide with the revitalization of livestock producers (i.e., poultry, beef, hogs, dairy and seafood), as well as the expansion of feed ingredient suppliers (i.e., biofuels, corn, cover crops, and processing waste).

Investing in the development of a local feed source removes a major bottleneck for the livestock industry in Hawai‘i. If it is possible to produce a 100 percent local feed, the cost of feed to livestock producers could decrease by 12 percent for aquatic feeds and as much as 29 percent for terrestrial feeds. Additional gains could be made if locally sourced ingredients were also available at a discount to conventional mainland ingredients.

We believe through grass-fed initiatives and feed research, that the agricultural sector will be able to affordably produce its own feed. We cannot afford to lose local food producers like ranchers, aquaculture farmers, and poultry farmers. While the industry works to create more homegrown feed, the subsidy is needed to help sustain the industry. The long-term effect for developing a homegrown feed industry would greatly assist our local farmers and ranchers to improve profitability by reducing one of their main expenses.

However, the language as written makes it unclear whether these funds could be used for “feed research.” We propose the following amendments:

- Page 1, line 15 – the word “research,” after the word “the”
- Page 2, line 7, the words “and researchers”, after the word “developers”
- Page 3, line 6, the words “and researchers”, after the word “developers”
- Page 3, line 7, the words “and research”, after the word “development”



Since there are no local feed mill operations in Hawai'i at the present time, we feel that funds appropriated under this bill should be allowed for identifying, assessing, and validating local feed ingredients while also continuing to subsidize feed costs for our local farmers and ranchers.

As Hawai'i's local food issues become more complex and challenging, organizations need additional resources and support to address and overcome them. We appreciate this committee's efforts to look at policies that support local food production.

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

Respectfully,

Kyle Datta
General Partner



Meadow Gold Dairies



Written Testimony by: Glenn Muranaka
SB612sd1, Proposed Hd1
Relating to Agriculture
House AGR Committee Hearing
Wednesday March 22, 2017 – 8:30 am
Room 312

Position: Support for Part I, Comments for Part II

Chair Creagan and Members of the House AGR Committee:

My name is Glenn Muranaka, President and General Manager of Meadow Gold Dairies. Our company has been in Hawaii since 1897—120 years, providing Hawaii consumers with a variety of milk products and juices. Meadow Gold's long history has not come without effort. We continually adapt to our customers' and consumers' ever-changing needs, and we constantly evolve along with our industry, our community and our market. Over the years, this has required that we struggle, tighten our belts, innovate and work extremely hard, making us a better company in the process. The foundation of this work rests with the 330 employees that are committed to providing superior quality products.

This request for funding for a livestock revitalization program is strongly supported. The high cost of production for Hawaii's livestock and aquaculture industries are a challenge for many farmers and ranchers. Funding support for the feed developer grant program and reimbursements to qualified producers for feed costs will help such farmers and ranchers.

The proposed HD1, which creates a new Part II, is an important part of making Hawaii's protein industry whole and viable since livestock feed must be shipped to Hawaii and represents more than 60% of overall production costs. However, there is concern that insertion to this bill vehicle may jeopardize the passage of Part I, which sought appropriations for the Department of Agriculture's livestock revitalization program.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 944-5911.



March 21, 2017

Representative Richard P. Creagan, Chair
Representative Lynn DeCoite, Vice Chair
House Committee on Agriculture

Testimony in Support of SB 612, S.D.2 and Proposed H.D.1, Relating to Agriculture (Repeals language requiring documentation of animal feed development costs to be effective for feed development costs incurred after July 1, 2016; appropriates funds to the Department of Agriculture [DOA] for the feed developer grant program, and reimbursements to qualified producers for feed costs, and to feed developers for costs of feed development; and authorizes general obligation [GO] bonds for the planning, designing, and purchasing of a livestock feed mill.)

Wednesday, March 22, 2017, 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 SB 612, S.D.2, Proposed H.D.1, and to offer comments.

SB 612, S.D.2, Proposed H.D.1. 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 appropriating funds to the DOA's livestock revitalization program for reimbursements to qualified producers for feed costs, and reimbursements to feed developers for the costs of feed development. The bill also proposes to amend Hawaii Revised Statutes (HRS) Section 155-2.5(b) by repealing language requiring documentation of animal feed development costs to be effective for such costs incurred after July 1, 2016, in order that said statutory section be consistent with the comparable provision in the qualified producer grant program pursuant to HRS Section 155D-2(b), and authorizes the issuance of GO bonds for the planning, designing, and purchasing of a livestock feed mill.

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 SB 612, S.D.2, Proposed H.D.1, and the appropriation of funds for the DOA's livestock revitalization program will greatly assist with feed costs which have been a contributing factor to the decline of the State's livestock industry.

LURF also supports the intent of this measure to reduce waste and livestock production costs and produce livestock feed within the State, which will broaden and enable agricultural operations in the State to thrive through funding of the planning, designing and construction of a livestock feed mill.

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 SB 612, S.D.2, Proposed H.D.1**, and respectfully urges your favorable consideration of this bill.

Thank you for the opportunity to present testimony regarding this measure.



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e-mail info@hfbf.org; www.hfbf.org

LATE

March 22, 2017

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON SB 612, SD2, PROPOSED HD1
RELATING TO RELATING TO AGRICULTURE

Room 312
8:30 AM

Aloha Chair Creagan, Vice Chair DeCoite, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

HFB strongly support SB 612, SD1, PROPOSED HD1, which appropriates funds to the Department of Agriculture for the feed developer grant program and reimbursements to qualified producers for feed costs

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.

SB 612 will help to 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.



Hawaii Cattlemen's Council, Inc.

LATE

COMMITTEE ON AGRICULTURE
Rep. Richard P. Creagan, Chair
Rep. Lynn DeCoite, Vice Chair

DATE: Wednesday, March 22, 2017
TIME: 8:30 AM
PLACE: Conference Room 312

SB 612, SD2 – RELATING TO AGRICULTURE.

Appropriates funds to the Department of Agriculture for the feed developer grant program and reimbursements to qualified producers for feed costs.

Chair Creagan, Vice Chair DeCoite, and Members of the Committee:

My name is Dale Sandlin, and I am Managing Director of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the four county level Cattlemen's Associations. Our 150+ 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 SB 612, SD2 as this provides critical support for our industry.

Many Hawaii livestock producers rely on imported grain to sustain their animals and these feed costs are a significant part of their overall expense. Rainfall plays a pivotal role in amount of forage that ranchers are able to provide to their cattle. While some years are better than others, ranchers must guard against drought. In recent years, we experienced a near decade long drought in Hawaii's largest cattle raising regions. This experience made it clear that we needed to develop more feed resources here in Hawaii. Pilot projects in feed development have started to begin with bi-products from bio-energy crops prepped for use in feed mill projects, but it will take some time to get these up to speed.

We support policies to strengthen the cattle industry and allow us to keep more of our Hawaii born calves in Hawaii (currently about 72% of our calves are shipped out of State 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.

Finally, we respectfully ask that the appropriation amount be maintained at past levels to provide sufficient funding to all segments of need. By limiting the amount provided to the program, we significantly reduce the potential growth of the livestock industries and with it reduce our ability to meet the recent efforts to improve our food stability. We also appreciate the additional funding mechanism through GO bonds for development of another feed mill.

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