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Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

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**TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, February 10, 2021
10:10 A.M.
VIA VIDEOCONFERENCE

**SENATE BILL NO. 128, SD1
RELATING TO AGRICULTURE**

Chairperson Dela Cruz and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 128 SD1. This bill establishes a Fungicide Subsidy Program to subsidize coffee growers for the purchase of fungicides to combat coffee leaf rust. The Department offers these comments.

This bill would establish a new fungicide subsidy program where there is already a functioning pesticide subsidy program in place. The pesticide subsidy program already has nearly 300 participating coffee farmers throughout Hawaii accounting for approximately 2,861 acres. A new program supported by the pesticide use revolving fund would require a new fungicide subsidy program manager position creating similar duties the current pesticides subsidy manager established by Act 152 SLH 2015 and extended by Act 32 ALH 2018.

Pesticides have numerous categories; the products designed to work against the Coffee Berry Borer are considered a bio-control pesticide, whereas Priaxor Xemium is a fungicide designed to eliminate the fungus which causes coffee leaf rust. The department suggests the naming of the program as a Coffee Pesticide Subsidy Program or Coffee Pest Control Subsidy Program would be a more appropriate use of the related terms.

The cost of the fungicide provided to the department is estimated at \$27.89 per acre to treat for coffee leaf rust. Fungicides will be required to be applied twice a year for successful control, doubling the cost to \$55.78 per acre. At the initial reimbursement rate of 75% for the first two years of the program, the \$900,000 allocation will provide approximately 21,500 acres with protection from coffee leaf rust.

In the information submitted to the Department of Agriculture, the total acreage expected to be treated is up to 8,000 acres of agricultural coffee (as opposed to feral and non-agricultural related populations of coffee, for which the department does not



have an accurate count). While the product cost is considerable at \$500 per gallon, each gallon of product can provide 20 acres of protection. The anticipated annual cost to protect 8,000 acres of agricultural coffee is \$400,000.

The total subsidy cost for years 1 and 2 should equate to approximately \$300,000 if the subsidy rate remains at 75% for the first two years of the program. Additives known as adjuvants will be required to properly apply the product. These additives will also increase the cost of application and may be added to the subsidy, but the costs and specific additives are unknown by the department at this time.

At the start of FY21, the pesticide use revolving fund rolled over \$90,941.61 from the previous fiscal year. There is not adequate funding to provide the requested \$400,000 allotment for the proposed fungicide subsidy program at the proposed subsidy rates of 75% for years 1 and 2 and 50% for subsequent years. Although fees for product renewals, newly licensed products, exams, certifications, and training were increased as of FY20, the department has initiated a request to move multiple general funded positions of the Pesticides Branch to the pesticide use revolving fund due to the anticipated budget shortfall. Reliance on general funds will not be required provided the monetary burden of the subsidy program is not allocated from the pesticide use revolving funds, the subsidy rates are reduced, and the Pest Inspection Quarantine and Eradication fund is not repealed or reduced for department use.

The department suggests the intent of both SB 128 could be better satisfied and require less additional resources by amending Act 105 SLH 2014 and Act 152 SLH 2015 to expand the types of pesticides and the sunset dates, as has been done in SB855, a bill that is currently referred to the Senate Ways and Means Committee.

Thank you for the opportunity to submit testimony.



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February 10, 2021

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON SB 128, SD1
RELATING TO AGRICULTURE

Room 211
10:10 AM

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 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.

The Hawaii Farm Bureau supports SB 128, SD1, which establishes a Fungicide Subsidy Program until June 30, 2026, to subsidize coffee growers for the purchase of fungicides to combat coffee leaf rust.

Coffee is one of Hawaii's signature crops; one that helps bring fame and tourists to Hawaii. A new threat, *Hemileia vasatrix* (coffee leaf rust), threatens the entire Hawaiian coffee industry. Coffee Leaf Rust (CLR) is known to spread rapidly and leads to defoliation and tree death that can result in up to 70% loss of yield. CLR has already been identified on Hawaii Island, Maui, and Oahu. CLR is the most destructive coffee disease in the world and can kill an entire farm in a matter of weeks. This fungus is a serious threat to Hawaii's agriculture industry and the state's economy.

Immediate action is needed to save Hawaii's second-highest value crop. The establishment of a Fungicide Subsidy Program should be viewed as a modest investment in one of the state's largest and most important agricultural crops.

Thank you for the opportunity to testify on this measure of great importance.



Hawaii Coffee Association
PO Box 168, Kealahou, HI 96750

SENATE COMMITTEE ON WAYS AND MEANS
February 10, 2021

RE: Testimony in Support of SB128 SD1

Aloha Chair Dela Cruz, Vice Chair Keith Agaran and Senators,

I am Chris Manfredi, President of Hawaii Coffee Association (HCA) testifying in support of SB128.

Coffee leaf rust (CLR) has been discovered on Hawaii Island, Maui, Oahu and Lanai. As outlined in the bill preamble it poses a devastating threat to Hawaii's coffee industry. CLR is known to spread rapidly and leads to defoliation and tree death. Projected lost yields range between 30 and 80%. The discovery of Coffee Leaf Rust in Hawaii is an emergency and requires an emergency response.

Coffee is ranked by USDA as Hawaii's second highest value crop, second only to seed corn. The typical coffee farm in Hawaii is a small family farm, yet the largest farm in the state is also a coffee farm. For more details regarding Hawaii's coffee industry impacts on the State's economy, please see the attached document: [What's at Stake: The Loss of Hawaii's Coffee Industry, A Major Economic Driver](#)

We knew this day was coming and we have tried to prepare for it. The regulatory process is stringent and multilayered, time consuming and often expensive. We tried to build resiliency into our industry but the regulatory hurdles are high. Perhaps too high.

The HCA immediately mobilized by hosting weekly conference calls among HDOA, USDA, APHIS, PBARC UH CTAHR, HARC, lawmakers, other commodity groups and industry leaders. We have developed a Strategic Plan and are in communication with your counterparts in the US Congress. We have developed short and long term response plans and are working hard to implement them, but we need your help.

UH was already working on approvals for systemic fungicides for use on coffee that are approved for use on other crops. Our entire industry is working collaboratively to accelerate this process. One of our largest producers with was met by insurmountable headwinds when they tried to import rust resistant varieties three short years ago. We are working with USDA and HDOA to streamline the importation and quarantine process for rust resistant coffee varieties and to build capacity of quarantine facilities.

Like so many other industries we are reeling in the wake of COVID. Our member surveys indicate that most producers' sales were severely impacted (80% or more), but unlike many other industries ours is layered with a devastating coffee disease that threatens our existence.

We appreciate the intent of this SB128 SD1, fully support it and hope you do too.

An additional need we hope you consider is for a CLR coordinator to work on this problem full-time. We understand there are often long delays for hiring within state government and sometimes positions that are allocated go unfilled. We ask that HDOA be empowered to immediately issue a contract for a CLR response coordinator that can fulfill this mission while a more permanent position can be funded, recruited and filled. We respectfully ask that you amend this measure to provide for short- and long-term relief in this capacity.

Another impending need will be the replacement of existing coffee trees with rust resistant varieties. The cost of this replacement will drive many farms out of business. DOFAW has The Hawaii Forest Stewardship Program that began in 1991 through the passage of Act 327 of the Hawaii State Legislature. We ask the Legislature to expand that program to provide eligibility for coffee trees or to model a similar program to assist coffee farmers in the replacement of coffee trees.

Additionally, the State's quarantine facilities are aging and significantly limited for an effort of this scale. We ask you to support HDOA with more investment in new and existing quarantine facilities.

Thank you for the opportunity to testify and for your support for Hawaii's coffee.



Hawaii Coffee Association
PO Box 168, Kealahou, HI 96750

What's at Stake: The Loss of Hawaii's Coffee Industry, A Major Economic Driver

As growers of the #2 crop in the State, we are just under 1,500 strong who tend more than 10,000 acres. The value of our coffee is second only to Hawaii's seed cropsⁱ. For the 2019-2020 season, Hawaii's unroasted coffee was valued at \$102.91 millionⁱⁱ, while its roasted value was more than \$148.48 millionⁱⁱⁱ.

Now, we're facing the most destructive coffee disease in the world: Coffee Leaf Rust (CLR), a fungus that can kill an entire farm in a matter of weeks. Annually, CLR causes \$3 billion in damage and lost income around the world.

In Hawaii, the stakes are higher than elsewhere. While most other coffee-growing regions have planted rust-resistant varieties, all of the ones commercially grown in Hawaii are not resistant. And the best fungicides used to fight this disease have not been approved here.

CLR has been found and is spreading rapidly on Hawaii Island, Maui, Oahu and Lanai. Its spores are spread by wind, workers, rain, equipment and tourists. As a result, farmers are facing defoliation and a loss of yield up to 70% or more.

To help save our industry, as well as the communities and families that depend on it, we need State, Federal and private support and we need it NOW.

Without action, we stand to lose hundreds of millions of dollars in Hawaii's economy – a contribution that far exceeds the value of the beans themselves. To grow our coffee, we hire thousands of workers and buy from local industries such as transportation and vendors of agricultural supplies. This so-called "downstream economic impact" is valued at about \$211 million^{iv}.

Then there is the "upstream economic impact" of Hawaiian coffee, which is unquantified. Compared to most other crops grown here, coffee offers two advantages: 1) Its worldwide popularity boosts the tourism potential of events such as the Kona Coffee Festival. 2) It is shelf stable. That makes Hawaiian coffee a major attraction for the souvenir market, drawing tourists to shops, cafes and agritourism operations statewide. In turn, these visitors create more worldwide demand for Hawaiian coffee once they return home. For example, foreign exports of coffee from Hawaii, valued at \$9.20 million^v in 2019, are an ongoing international advertisement for the Hawaii islands.

The economic losses from CLR would have an outsized impact in rural areas, where few other industries exist. Remember the collapse of the local sugar industry? We can expect similar results: dramatically increasing unemployment – especially of historically underserved and minority populations – accompanied by increasing crime and drug use. Not to mention the harm to almost 200 years of coffee-growing history and the cultural heritage of our islands.

What We Need:

- Statewide approval of the most effective CLR fungicides, and subsidies for farmers to purchase them.
- Support for development of the best CLR-management strategies in Hawaii, as well as support to educate farmers of them.
- Support for research of the best CLR resistant varieties that will maintain the quality of Hawaii coffees. Also support for the importation, propagation and distribution of CLR-resistant varieties, including expanded plant-quarantine facilities. (This is a 5-10 year project.)
- Support for farmers to replace their existing fields with rust-resistant varieties.
- *Support for other ways to build capacity and resilience within farm communities.*

Contact:

- Chris Manfredi, President, Hawaii Coffee Association president@hawaiicoffeeassoc.org
- Suzanne Shriner, Administrator, Synergistic Hawaii Ag Council suzanne@shachawaii.org

ⁱ \$54.3 million for Coffee vs \$109.5 million for Seed Crops (including seed corn), in 2019. Source: State of HI, HDOA Market Analysis and News Branch “Top 20 Agricultural Commodities Produced: State of Hawaii, 2019.”

ⁱⁱ 2019-2020 season, pounds of utilized production (green beans) x price per pound: 5,120,000 pounds x \$20.10/pound = \$102.91 million. Source: USDA-NASS. Jan 2021. “Coffee”.

https://www.nass.usda.gov/Statistics_by_State/Hawaii/Publications/Fruits_and_Nuts/Coffee-01-26-2021.pdf

ⁱⁱⁱ This is a wholesale roasted estimate of the value of the 2019-2020 season crop, priced at \$29.00 per pound: 5,120,000 pounds x \$29.00/pound = \$148.48 million. The \$29.00/pound is an average statewide value that takes into account the lower wholesale prices of mechanically harvested coffee (Kauai, Oahu and Maui beans) and the higher prices of hand-harvested beans (Kona, Ka’u).

^{iv} Using multiplier of 2.05, applied to the 2019-2020 season value of the State’s green beans: \$102.91 million x 2.05 = \$210.97 million. Multiplier from correspondence between HDOA chair P. Shimabuku and USDA Secretary S. Perdue, dated November 19, 2020.

^v \$5.33 million in roasted coffee from Hawaii + \$3.87 million in unroasted coffee from Hawaii. Source: USDA Global Agricultural Trade System. 2019 data.



**In Cooperation with the United States Department of Agriculture
 National Agricultural Statistics Service, Pacific Region**

Top 20 Agricultural Commodities Produced State of Hawaii, 2019

Commodity	Rank	Value of Production (1,000 dollars)
Seed Crops	1	109,500
Coffee	2	54,298
Macadamia Nuts	3	48,840
Other Aquaculture ¹	4	47,937
Cattle	5	41,387
Algae	6	32,652
Basil	7	28,030
Food Crops Grown Under Protection	8	11,000
Milk	9	9,492
Landscape Palms	10	7,914
Orchids-Other Potted Orchids ²	11	6,685
Papayas	12	4,943
Bananas	13	4,659
Dendrobiums-Potted	14	4,091
Sweet Potatoes	15	3,630
Phalaenopsis-Potted	16	3,509
Palms-Potted for indoor or patio use	17	3,426
Lettuce-Leaf	18	3,260
Anthuriums-Cut	19	3,192
Cabbage-Chinese	20	2,830

¹ Excludes algae and ornamental aquaculture. ² Excludes dendrobium, oncidinae and phalaenopsis potted orchids.

Sources:
 USDA-NASS and HDOA-MANB

LATE

SB-128-SD-1

Submitted on: 2/9/2021 2:45:32 PM
Testimony for WAM on 2/10/2021 10:10:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Bruce Corker	Testifying for Rancho Aloha	Comments	No

Comments:

Aloha Chair Dela Cruz and Members of the Committee:

I am a coffee farmer in the North Kona District of Hawaii County and a member of the Board of Directors of the Kona Coffee Farmers Association.

I support the funding for HDOA subsidy programs to assist farmers in combating Coffee Berry Borer (CBB) and Coffee Leaf Rust (CLR). However, I agree with the written HDOA testimony to the AEN Committee on 2/1/21 concerning SB128. The HDOA testified that it would be better to incorporate a CLR subsidy program into the HDOA's current CBB subsidy program, rather than create a new, separate and costly CLR subsidy program. Please see the HDOA's written testimony to AEN.

Also, please note that following the hearing before AEN on SB855 on February 8, Chair Gabbard announced that, SB855 (with a single unified HDOA-administered CBB/CLR program), rather than SB128, was the preferred vehicle for administration of a CLR subsidy program.

I encourage WAM to defer SB128 and schedule a WAM hearing on SB855 as passed by AEN.

Respectfully submitted,

Bruce Corker, Holualoa, Hawaii County