

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
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**TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION**

**BEFORE THE COMMITTEE ON WAYS AND MEANS
Wednesday, February 22, 2023
9:30 a.m.
Conference Room 211
& Videoconference**

**SENATE BILL NO. 818
RELATING TO THE AQUACULTURE**

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

Thank you for the opportunity to testify on Senate Bill No. 818 relating to aquaculture. The Agribusiness Development Corporation (ADC) supports this measure, which transfers the aquaculture program from the Hawaii Department of Agriculture (HDOA) to ADC.

Transferring the aquaculture program from HDOA to ADC, which is administratively attached to the Department of Business, Economic Development, and Tourism (DBEDT) could be beneficial to the State because its objectives supports DBEDT's mission, which is to achieve a Hawaii economy that embraces innovation and is globally competitive, dynamic and productive, providing opportunities for all Hawaii citizens. HDOA's aquaculture branch generates diversified agriculture solutions for moving Hawaii towards greater

food self-sufficiency and fosters viable export industries. To no fault of their own, HDOA's priority and primary functions are regulatory and enforcement. Unfortunately, this mean non-regulatory functions, including the development a long-term vision and overall plan for economic development to support Hawaii aquaculture industry, are secondary.

While we appreciate the foresight and intent of this measure to support the aquaculture program, we would like to propose an amendment to the effective date to give the agencies involved ample time to facilitate the transfer. With regards to the funding appropriation, we support this bill provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget.

Thank you for your consideration of our testimony.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE
KA 'OIHANA MAHI'AI
1428 South King Street
Honolulu, Hawai'i 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

**FEBRUARY 22, 2023
9:30 AM
CONFERENCE ROOM 211**

**SENATE BILL NO. 818
RELATING TO AQUACULTURE**

Chairpersons Dela Cruz and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 818. The bill transfers the Aquaculture Program (ADP) from the Department of Agriculture to the Agribusiness Development Corporation (ADC) and appropriates moneys. The Department supports the intent to expand the aquaculture program but feels that the ADP should remain in the Department to leverage the singular focus on agriculture and synergy between divisions and staff. The Department acknowledges and has been addressing the Legislature's concern that aquaculture has not previously been provided the requisite resources to expand the industry in an optimal manner.

The Department comments that this is a year of transition wherein the Animal Industry Division (AID) is asking to establish a meat inspection program, foster axis deer processing, support processes for aquatic livestock species review for import and focus on the disease mission of the AID that currently includes bovine TB and biosecurity threats such as Highly Pathogenic Avian Influenza, Avian Swine Fever or other Foreign Animal Disease preparedness actions. AID can accomplish this with support from the



Legislature and comments that transitioning the ADP to ADC, rather than augmenting the ADP within the Department, would detract from efforts to invigorate the Department.

The Department makes the following requests and comments that these requests may take 2 – 5 years to realize.

- The Aquaculture Development Program will be raised to a division level within the Department. This action will position aquaculture as a priority in Department planning. The current program manager position will be upgraded to a Division Administrator (\$11,196) and a Secretary II position (SR-16 / \$49,860) will be added. These personnel changes require Legislative support.
- Request the Legislature to support SB114 and HB489, which moves the administration of the importation and movement of aquatic livestock in the State from the Plant Industry Division to the Animal Industry Division (AID). However, regardless of the final status of the bills, the Department will initiate this transfer. As noted in the SB114 and HB488 testimony, \$900,000 is requested to develop a risk-based decision-making framework to support the movement administration. The Department will initiate the required Hawaii Administrative Rule changes.
- Request the Legislature to support SB115 and HB488 to add leasing ability to the aquaculture program. The Department will initiate the required Hawaii Administrative Rule changes to support the corresponding Hawaii Revised Statute changes in the legislation.
- Request the Legislature to support the development of aquaculture parks statewide under the administration of the Aquaculture Development Program as an offshoot of SB115 and HB488. SB650 requires the Department to conduct a feasibility study to identify potential sites in the State for an aquaculture park which will establish a baseline of location criteria. Estimated cost is \$500,000. In addition, this bill (SB818) already identifies two possible initial aquaculture park sites on Oahu. The Legislature is requested to support the funding of a Wilikina

Hatchery and Training Center (\$12M) and a Mokuleia Innovation Center (\$15M) with planning in collaboration with existing tenants. The Department will initiate the required Hawaii Administrative Rule changes.

- Request the Legislature to support the funding of the following projects:
 - Develop scientific baselines for greenhouse hydroponic production - \$2M. Controlled environment agriculture can be very efficient and productive. This project will establish baselines for nine key variable and identify and validate the best greenhouse design(s) suited to Hawaii's environment.
 - Optimize a modular hatchery/nursery system to produce consistent and healthy seaweed seedstock - \$1M. Clean seedstock is the foundation for the seaweed industry development. This project will identify and validate the best modular seaweed hatchery design that can be replicated on each island.

Estimate \$31,500,000 in funding for the proposed actions :

- Upgrade branch manager to division administrator and an additional Secretary II position is requested. (\$61,056)
- SB114 and HB488 testimony, \$900,000 develop risk-based process
- SB650 to feasibility study to identify sites for aquaculture part \$500,000
- Wilikina Hatchery and Training Center \$12,000,000
- Mokuleia Innovation Center \$15,000,000
- Greenhouse hydroponic production \$2,000,000
- Modular hatchery/nursery system - produce consistent and healthy seaweed seedstock \$1,000,000

Combining the support of the Legislature with tactically sound program development will make an unmistakable impact on the aquaculture industry. As such, the Department supports the intent of this measure to expand aquaculture but urges restraint in removing the program from the Department's purview and oversight.

Thank you for the opportunity to testify on this measure.



Senate Committee on Ways and Means
Senator Donovan Dela Cruz, Chair, and Senator Gilbert S.C. Keith-Agaran, Vice Chair
Wednesday, February 22, 2023, 9:30 AM, Room 221 & Videoconference

Re: SB818 Relating to Aquaculture

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

The Hawaii Aquaculture and Aquaponics Association (HAAA) representing aquaculture industry members, researchers, and supporters Statewide acknowledges and greatly appreciates the long-term support of the Hawaii aquaculture industry by the multiple introducers of SB818.

Nevertheless, we must strongly oppose this measure which would transfer responsibility for all Hawai'i aquaculture except ornamental aquaculture to the Agribusiness Development Corporation (ADC). We believe that SB818 will result in long-term harm to our currently expanding industry.

As such, we respectfully request that this Committee defer SB818 at this time and, instead, engage with industry leaders and members after session to better understand what the Hawaii aquaculture industry members actually want and need in terms of State support to continue the growth of sustainable aquaculture in Hawaii. We believe that this would be a much more meaningful and productive means to support our industry rather than going forward with this measure which proposes top-down management and control by an agency with no direct working knowledge or understanding of the complexities of our industry.

Our concerns include the following:

ADC is not the appropriate agency to oversee the aquaculture industry. ADC was created in order to transition former sugar and pineapple lands to diversified agriculture. Once accomplished, the intent was for ADC to then transition these lands to the appropriate State agency for long-term management. This is not occurring and, instead, ADC apparently seeks to control and micro-manage diversified agriculture. Hawaii's aquaculture industry includes offshore and onshore facilities, freshwater and marine operations, production, research, and consulting. ADC does not have the in-house expertise to understand and administer all these diverse elements of our industry.

ADC is not the appropriate agency for management of the aquaculture disease diagnostic lab jointly operated by UH/CTAHR and DOA. It will not be cost-effective to separate the State aquatic veterinarian and the disease diagnostic lab from livestock veterinary services and reducing the potential for these services to become financially self-sustaining.

This measure appears to set aside or side step important regulatory controls necessary to protect the environment and public health. Wording on page 5, lines 2-4 appears to exempt aquaculture from any other State regulation, including environmental regulations, permitting, and human and animal health and safety rules. This is excessive and unnecessary and would undermine the public's trust in aquaculture as an environmentally sustainable and food safe industry.

This measure will create conflicting jurisdictions. It assigns responsibility to ADC to govern "the business of aquaculture," but most aquaculture businesses in Hawai'i are located at NELHA, which is currently administered by DBEDT's Business Division. There are also

aquaculture businesses throughout the State that are on land owned by DOA and DLNR as well as on private lands.

Transferring the responsibility for aquaculture away from DOA will be unproductive. The Hawai'i Aquaculture Collaborative's number two priority for the 2023 legislative session was funding for the creation of a five-year strategic plan for the aquaculture industry. Legislation is currently under consideration in the House and Senate that would authorize the UH Sea Grant program to hire an independent consultant to develop such a plan in concert with industry stakeholders. If approved, the plan could be directed to include an assessment of the appropriate agencies to oversee aquaculture development. Any such changes in agency responsibility should wait for the plan's conclusions.

Given these multiple serious concerns, the HAAA strongly opposes SB818 and respectfully urges the Committee on Ways and Means to defer this measure, meet with industry after session, and support the industry's requested five-year strategic plan to guide the responsible growth of Hawai'i's Globally-recognized aquaculture industry. Thank you for the opportunity to offer testimony on this proposed legislation and for your support of the Hawai'i aquaculture industry.

Sincerely,

HAAA Board of Directors
Ronald Weidenbach, Hawaii Fish Company Inc.
Peter Boucher, Engineer
John Corbin, Aquaculture Planning & Advocacy LLC
Fredrick Mencher, Hawaii Fish Company Inc.
John Cates, Cates International
Steve Chaikin, Molokai Shrimp
David Cohen, Aquatic Innovations
Shermaih Isea, Makaha Aquafarm
Shaun Moss, Ph.D.
Joseph Tabrah, Engineer (retired)

February 21, 2023

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Aragan, Vice Chair
Senate Committee on Ways and Means
Wednesday, February 22, 2023 @ 9:30 a.m. in Room 211 &
Videoconference



RE: SENATE BILL 818 RELATING TO AQUACULTURE – TRANSFER THE AQUACULTURE PROGRAM FROM THE DEPARTMENT OF AGRICULTURE TO THE AGRIBUSINESS DEVELOPMENT CORPORATION.

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

The Pacific Coast Shellfish Growers Association (PCSGA) represents bivalve shellfish growers who operate in Hawaii, Washington, California, Alaska, and Oregon. Hawaii is a critically important state where much of the shellfish seed is produced due to the extended growing season and since it does not experience the harmful effects of ocean acidification. We are writing to express gratitude for Hawaii's efforts to support and facilitate responsible marine aquaculture development and to encourage this committee to consider the potential implications of moving regulatory oversight from the Department of Agriculture to the Agribusiness Development Corporation (ADC).

Effective regulation and oversight of the industry requires trust between the agency staff and the growers and capacity to fulfill the mandated obligations, including lab capacity for testing and institutional knowledge about the sector being managed. It is not clear that the ADC has this capacity, nor is it clear why this move is being initiated. What is clear is that the growers are not comfortable with the move, not because they fear more oversight, but because they don't have the same trust and confidence with the ADC that they do with the Department of Agriculture. They are also concerned that they could lose critical testing capacity if the funds are shifted from the Department of Agriculture to the ADC.

We would greatly appreciate more clarification on why this move is being proposed and how it will impact critical services that the Department of Agriculture is much better positioned to provide. We encourage the Committee to seek the same clarity before making this important decision that could have serious implications for the future of marine aquaculture in the state.

PCSGA members produce oysters, clams, mussels, and other shellfish species in the waters off the U.S. Pacific Coast. Our growers depend on clean water and healthy ecosystems to produce a nutritious source of protein that does not impact freshwater resources. We encourage efforts to facilitate clear and consistent permitting processes that will support responsible growth and expansion of shellfish aquaculture.

Mahalo for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kim Thompson', is written over a light blue horizontal line.

Kim Thompson
Executive Director
Pacific Coast Shellfish Growers Association

2/20/2023

Jamestown Point Whitney Ventures LLC.
Nathan Tsao, General Manager

TO: Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Aragan, Vice Chair
Senate Committee on Ways and Means
Wednesday, February 22, 2023 @ 9:30 a.m. in Room 211 & Videoconference

**RE: OPPOSITION TO
SENATE BILL 818 RELATING TO AQUACULTURE – TRANSFER THE
AQUACULTURE PROGRAM FROM THE DEPARTMENT OF AGRICULTURE TO
THE AGRIBUSINESS DEVELOPMENT CORPORATION.**

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

Jamestown Point Whitney Ventures LLC strongly opposes SB 818: transfer the aquaculture program from the Department of Agriculture to the Agribusiness Development Corporation.

Jamestown Point Whitney Ventures LLC is a multifaceted shellfish hatchery program owned and operated by the Jamestown S’Klallam Tribe with facilities in both Hawaii and Washington. Since opening in 2015 JPWV’s Kona hatchery site mainly functions as a production and export facility of Pacific Oyster juveniles to its WA facilities. This juvenile export is made possible by the importation of adult oysters to Hawaii which are used as breeding stock.

Throughout its eight years of operations in Kona, JPWV has maintained a highly functional relationship with the Hawaii Dept of Agriculture. The longstanding HDOA permit processes, oversight, and institutional staff knowledge of the Hawaii aquaculture industry provides a well-functioning agency interface for JPWV to successfully operate and grow.

JPWV’s concerns include the following:

Premature adoption of a new governing body creates undefined and perhaps unnecessary business requirements.

We feel that the current agency interface is quite adequate in the handling and defined continuance of our aquaculture operations. There is no language contained in this bill that clearly expresses an update to any existing permitting processes or requirements. Blindly accepting the terms of an undefined agency relationship may be obstructive to operations and business.

Outreach activity by ADC to connect with existing aquaculture operations on an individual case level has been hugely inadequate.

While the creation of an aquaculture specific oversight body separate from DOA may prove useful in the future, thus far the adoption of this action has been largely hidden from our (industry's) eyes and ears. As a NELHA tenant who speaks to many other aquaculture owners/managers/colleagues on a daily basis, I can say that none of them have been contacted in regards to this action. We feel that this lack of initial transparency begins any future relationship with ADC off to a rocky beginning.

The staffing of ADC as an oversight agency must be include Hawaii specific Industry experts.

As it is right now, HDOA staff maintains a close relationship with JPWV on all details of our operations. We feel very strongly that inadequate staffing knowledge of a new agency will lead to confusion of future agency interface, and potentially be obstructive to our business.

Thank you for the opportunity to testify in strong Opposition of this measure.

Sincerely,
Nathan Tsao



2/21/2023

TO: Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Aragan, Vice Chair
Senate Committee on Ways and Means
Wednesday, February 22, 2023 @ 9:30 a.m. in Room 211 & Videoconference

**RE: OPPOSITION TO SENATE BILL 818 RELATING TO AQUACULTURE –
TRANSFER THE AQUACULTURE PROGRAM FROM THE DEPARTMENT OF
AGRICULTURE TO THE AGRIBUSINESS DEVELOPMENT CORPORATION.**

Aloha Chair Dela Cruzm Vice Chair Keith-Aragan, and Members of the Committee,

Kauai Sea Farm strongly opposes SB 818: transfer the aquaculture program from the Department of Agriculture to the Agribusiness Development Corporation. Our opposition results from the following reasons:

- We have enjoyed an excellent working relationship with HDOA, including members of multiple branches within the department. Permitting issues have always been resolved in a timely manner, and responses to emails and phone calls have been consistently been reliable. HDOA has been recently advocating for a stronger focus on sustainable aquaculture, and we feel that these efforts are only just starting to show a positive impact in terms of public opinion and funding opportunities.
- One of the major challenges to aquaculture permitting issues in Hawaii is dealing with multiple agencies. In our experience HDOA is the most responsive of these agencies, and we are concerned that adding another agency will only further exacerbate existing issues.
- There has been a lack of outreach to stakeholders about the implications of these potential changes. This can be clearly seen by the lack of a single private company submitting previous testimony to the bill. Stakeholder input needs to be considered to effectively address the issues facing Hawaii aquaculture, and especially before attempting a major change such as proposed under SB 818.

Kauai Sea Farm is a company formed around bringing economic security to the Nomilo Fishpond in Kalaheo, HI. We produce both native and non-native species and are actively engaged in federally funded research to promote aquaculture of native species in fishponds throughout Hawaii. We would like to see more outreach from ADC to the aquaculture community and stakeholders before any bill such as this proceeds.

Thank you for the opportunity to testify in strong opposition of this measure.

Sincerely,

A handwritten signature in black ink, appearing to read 'D.A. Anderson', written in a cursive style.

David Anderson
Production Manager
Kauai Sea Farm

2029 Nuuanu Ave. #1510
Honolulu, Hawai'i 96817
February 19, 2023

Senator Donovan M. Dela Cruz, Chair, and Senator Gilbert S.C. Keith-Agaran, Vice Chair
Senate Committee on Ways and Means
State Capitol, 415 S. Beretania St.
Honolulu, Hawai'i 96813

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

I oppose SB 818, "Relating to Aquaculture," which would transfer responsibility for all Hawai'i aquaculture except ornamental aquaculture to the Agribusiness Development Corporation.

I have made my living in aquaculture and aquaponics in Hawai'i since the late 1970's. I have been a member of the Hawai'i Aquaculture and Aquaponics Association since the 1980's, and its treasurer since 2009. During my time in the industry, aquaculture has grown into a major component of Hawai'i's diversified agriculture, with sales of almost \$80 million in 2021 and with much room for further growth. I strongly support the further responsible development of this industry. However, I can see no obvious need to transfer authority over the industry to ADC, and SB 818 includes no justification of the transfer.

My concerns include the following:

- **Transferring responsibility for aquaculture away from DOA is premature.** As stated by the Hawai'i Aquaculture Collaborative, the creation of a five-year strategic plan is a priority of the aquaculture industry. Legislation is currently under consideration in Hawai'i's House and Senate that would authorize the U.H. Sea Grant program to hire an independent consultant to develop such a plan in concert with industry stakeholders. If approved, the plan will presumably include an assessment of the appropriate agencies to oversee aquaculture development. Any major changes in agency responsibility should wait for the plan's conclusions. Further, the Legislature has wisely recently provided DOA aquaculture with additional staff and resources; these enhancements should be allowed to perform under the new Administration before a lead agency change is considered.
- **SB 818 creates substantial risk for the industry and its customers.** Page 5, lines 2-4 states: "The business of aquaculture shall be governed by this part and shall be exempt from *any other provisions* [italics mine] relating to the harvesting, processing, and marketing of cultured aquatic life." This wording appears to exempt these aspects of aquaculture from any other State regulation, including environmental regulations, permitting, and human and animal health and safety rules. While I support regulatory relief for aquaculture, a total exemption seems a step too far.
- **SB 818 will create conflicting jurisdictions.** It assigns responsibility to ADC to govern "the business of aquaculture," but most aquaculture businesses in Hawai'i are located at NELHA, which is currently administered by DBEDT. There are also aquaculture businesses throughout the State that are on land owned by DOA and DLNR as well as on private lands. Will these businesses also be subject to ADC oversight?
- **SB 818 will reduce the financial stability of critical veterinary services.** All of DOA's aquaculture-related services including the State aquatic veterinarian and the disease diagnostic lab would be transferred to ADC, separating aquaculture services from livestock veterinary services and reducing the potential for these services to become financially self-sustaining. Removing the veterinarian and the lab from DOA will disrupt the valuable synergy between this essential service program and the Animal Industries Division staff and facilities and other components of the Department.

- **ADC is not the appropriate agency to oversee the entire aquaculture industry.** ADC was created in order to transition former sugar and pineapple lands to diversified agriculture. So far as I know, it was never intended to control entire segments of agriculture. Hawaii's aquaculture industry includes offshore and onshore facilities, freshwater and marine operations, production, research, and consulting. Can ADC really administer all these activities wisely? Further, a recent audit has disclosed significant problems within ADC, including poor financial documentation.

For these reasons, in order to support the responsible growth of Hawai'i's vital aquaculture industry, I respectfully request that your committee defer SB 818.

Thank you for the opportunity to testify on this proposed legislation, and for your support of Hawai'i's growing aquaculture industry.

Sincerely,



Frederick M. Mencher

SB-818

Submitted on: 2/20/2023 5:15:00 PM

Testimony for WAM on 2/22/2023 9:30:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|--------------|--|--------------------|------------------------|
| John Corbin | Testifying for Aquaculture Planning and Advocacy | Oppose | Written Testimony Only |

Comments:

Comments: My name is John Corbin and I oppose this measure. I managed the State Aquaculture Development Program from 1978 to 2006, when I retired. I have continued involvement through membership in the Hawaii Aquaculture and Aquaponics Association and the USDA Regional Aquaculture Center. Further, I also served almost continuously from 1980 to 2006 as a Board member of NELHA and provided an aquaculture perspective to its development.

I am concerned about this drastic change in lead agency for aquaculture from DOA and its Board to ADC and its Board that has no justification. Please consider the following comments:

- Recently, the Legislature wisely gave DOA additional staff and resources to re-establish the previous Aquaculture Development Program's functions. These new resources should be given a chance to be put in place and perform before any lead agency change is considered.
- The Legislature is considering a new 5-year Aquaculture Strategic Development Plan to guide industry expansion efforts after the shock of the Pandemic. I think it is important to incorporate current trends and constraints as guidance for current aquaculture development decisions – as we all know the world has changed. Consideration of a lead agency change should wait for the new plan that identifies current constraints and opportunities, etc.
- The language of the bill is very broad in places ,e.g., ADC would govern "the business of aquaculture" and this could lead to confusion and unintended consequences. The Hawaii reality is important aspects of the diverse Hawaii aquaculture industry are in three different departments; DOA, DLNR and DBEDT, and that will continue. In particular, any changes that could negatively affect the NELHA, a great aquaculture success story, should be avoided.
- Removing the State Aquaculture Veterinarian and the Disease Prevention Program from under DOA will hamper its effective and efficient operation. The synergies that exist with other parts of DOA would be lost and they should be maintained to serve the industry. The Program should stay in DOA, Animal Industry Division.
- ADC recently underwent a critical audit of its management practices that was thoroughly discussed by the Legislature during the last session, leading to its move to DBEDT. As such, I would imagine ADC is going through a program review to address criticisms and it would not be prudent to consider giving it a new responsibility for aquaculture at this time.

Thank you for the opportunity to provide these comments.