

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

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Honolulu, HI 96813
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ESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE COMMITTEE ON WATER AND LAND

Wednesday, March 22, 2023

9:30 a.m.

Conference Room 430
& Videoconference

SENATE BILL NO. 818 SD1, HD1
RELATING TO THE AQUACULTURE

Chair Ichiyama, Vice Chair Poepoe and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 818 SD1, HD 1 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 support 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.

We appreciate the foresight and intent of this measure to support the aquaculture program, and the amendment to the effective date to give the agencies involved ample time for discussion and 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 HOUSE COMMITTEE ON WATER & LAND

MARCH 22, 2023
9:30 AM
CONFERENCE ROOM 430

SENATE BILL NO. 818 SD1 HD1
RELATING TO AQUACULTURE

Chairperson Ichiyama and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 818 SD1 HD1. 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 (EM-7 / \$11,196) and a Secretary III position (SR-16 / \$49,860) will be added. These personnel changes require Legislative support.
- Request the Legislature to support the intent of 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. Both bills did not advance in their respective referral paths but the ability to directly administer the importation and movement of aquatic species would be an influential industry development tool for ADP. 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 the intent of SB115 and HB488 by adding leasing ability to the aquaculture program. Both bills did not advance in their respective referral paths but the ability to directly administer leases would be an influential industry development tool for ADP. 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, SB650, and HB488. The stalled SB650 required 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, collaboration, and recognition of property rights of 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 (2 years) - \$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 (2 years) - \$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.

The requested funding is summarized in the table below.

Upgrade branch manager to division administrator and add a secretary III position	\$61,056
Develop a risk-based import and movement framework	\$900,000
Develop a feasibility study to identify potential sites for aquaculture parks	\$500,000
Develop a Wilikina Hatchery and Training Center	\$12,000,000
Develop a Mokuleia Innovation Center	\$15,000,000

Develop scientific baselines for greenhouse hydroponic production	\$2,000,000
Modular hatchery/nursery system - produce consistent and healthy seaweed seedstock	\$1,000,000
Total	\$31,461,056

Combining the support of the Legislature with tactically sound program development will be a 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.

AQUACULTURE

PLANNING & ADVOCACY LLC

HOUSE OF REPRESENTATIVES
THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2023

COMMITTEE ON WATER & LAND

Rep. Linda Ichiyama, Chair
Rep. Mahina Poepoe, Vice Chair

Rep. Cory M. Chun Rep. Dee Morikawa
Rep. Sonny Ganaden Rep. Gregg Takayama
Rep. Mark J. Hashem Rep. Kanani Souza

DATE: Wednesday, March 22, 2023
TIME: 9:30 A.M.
PLACE: VIA VIDEOCONFERENCE
 Conference Room 430
 State Capitol
 415 South Beretania Street

Chair Ichiyama, Vice Chair Poepoe, Members of the Committee:

My name is John Corbin and I strongly oppose SB 818 SD 1, HD 1, which would transfer State aquaculture development to the Agribusiness Development Corporation (ADC). I managed the State Aquaculture Development Program from 1978 to 2006, when I left it was in the Department of Agriculture. I have continued industry involvement through consulting and 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 the Natural Energy Laboratory of Hawaii Authority and provided an aquaculture perspective to its overall development.

I am very concerned about this drastic and unfounded change in lead agency for aquaculture from DOA and its Board to ADC and its Board that has no valid justification and would be extremely disruptive to continuing industry development. The Hawaii industry at \$79.2 million dollars a year is ranked in the top ten states in the nation. Please consider the following comments:

- Recently, the Legislature wisely gave DOA additional staff and resources to re-establish the previous Aquaculture Development Program's critical functions. These new and necessary resources should be given a chance to perform with the new Administration, in our current post-covid economic environment before any lead agency change is even considered.

-The language of the bill is very broad in its scope. ADC would govern "the business of aquaculture" and this vague description could lead to mission confusion in State efforts and unintended negative consequences. The Hawaii reality is important aspects of the very diverse, statewide aquaculture industry are in three different departments; DOA (with loans and

AQUACULTURE

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marketing), DLNR(with fishponds and ocean leasing for cage culture) and DBEDT(with NELHA), and that will continue and should continue with DOA as the lead department for increasing food self-sufficiency. Any changes that could negatively affect the NELHA, a great aquaculture success story, should be avoided.

-Another perceived problem with the bill as written is the funding request for development of the Mokuleia Aquaculture Innovation Center to be managed by ADC. The site being targeted is currently in the process of being leased by a long-standing commercial aquaculture farm and is unavailable. Industry has recommended a site determination and feasibility study for an Oahu aquaculture park and this portion of the bill should be changed to reflect that.

-Being very familiar with this program, I strongly believe removing the State Aquaculture Veterinarian and the Disease Prevention Program from under DOA Animal Industries Division is a destructive idea and will severely hamper its effective and efficient operation. The synergies that exist with other parts of DOA would be lost and they need to be maintained to serve the rapidly evolving industry. The Program should stay in DOA, Animal Industries Division and be given the staffing and resources to serve existing activities like Certified Disease-Free Shrimp (currently valued at over \$20 million dollars a year) and emerging activities such as Certified Disease-Free Shellfish Seed.

-I believe ADC is not a good fit as then lead agency for aquaculture. ADC recently underwent a critical audit of its management practices and poor performance that was thoroughly discussed by the Legislature during the last session and that led to its move to DBEDT. As such, I would imagine ADC is reorganizing its program to address these criticisms. I believe it would not be prudent or in the best interest of the industry to give ADC a new and much more complex responsibility involving land and ocean resources. Developing the vast potentials of land based and open ocean aquaculture for Hawaii and the nation is much too important.

In conclusion, I suggest passage of SB 818 SD 1, HD 1 is not in the best interests of the industry or its future growth. I respectfully suggest this bill be deferred. Thank you for the opportunity to testify.

John S. Corbin MS, CFP, AICP
President
Aquaculture Planning and Advocacy LLC



March 21, 2023

TO: Representative Linda Ichiyama, Chair
Representative Mahina Poepoe, Vice Chair
House Committee on Water & Land
Wednesday, March 22, 2023 @ 9:30 a.m. via videoconference or Room 430

RE: OPPOSITION TO SENATE BILL 818 SD 1 HD 1 RELATING TO AQUACULTURE
– TRANSFER THE AQUACULTURE PROGRAM FROM THE DEPARTMENT OF
AGRICULTURE TO THE AGRIBUSINESS DEVELOPMENT CORPORATION.

Aloha Chair Ichiyama, Vice Chair Poepoe, and Members of the Committee,

Blue Ocean Mariculture strongly opposes SB 818: transfer the aquaculture program from the Department of Agriculture to the Agribusiness Development Corporation.

Blue Ocean Mariculture is the only open-ocean mariculture agriculture operation in the United States. Located off the coast of Kona, Hawaii since 2004, we raise *Seriola rivoliana*, or Hawaiian Kanpachi. Our operation employs 70 people and generates significant economic impact for our islands. But more importantly, we address the ongoing challenge of food security in Hawaii. More than 60% of our production stays in Hawaii, serving the local community and tourists alike. We feel that a more strategic approach to the oversight of aquaculture, including but not limited to removing the Aquaculture Disease Diagnostic Lab and Aquaculture Veterinarian and lab staff from this proposed transfer so it remains under DOA Animal Industries and be technically and financially viable, and 2) an amendment to Section 11 to fund a statewide feasibility study to find the best location for a second NELHA to provide the greatest industry benefit, rather than the proposed Mokuleia Aquaculture Innovation Center.

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

Sincerely,

Richard S Jones Jr.
CEO, Blue Ocean Mariculture
Kailua Kona, Hawaii, USA
dick.jones@bofish.com



House Committee on Water & Land
Rep. Linda Ichiyama, Chair
Rep. Mahina Poepoe, Vice Chair
Wednesday, March 22, 2023 9:30 AM
VIA VIDEOCONFERENCE
Conference Room 430

Re: Testimony in strong opposition to SB818 SD1 HD1 Relating to Aquaculture

Aloha Chair Ichiyama, Vice Chair Poepoe, and Committee Members,

The Hawaii Aquaculture and Aquaponics Association (HAAA) with industry membership statewide and active industry involvement in the Pacific region and nationally strongly opposes SB818 SD1 as currently proposed. The stated purpose of this measure is to transfer the administrative attachment of the aquaculture development program, including the aquaculture disease diagnostic lab and aquaculture veterinarian, from the Department of Agriculture (DOA) to the Agribusiness Development Corporation (ADC).

The HAAA believes this proposed transfer is inappropriate and unnecessary, and strongly opposes this proposed broad stroke transfer of critical aquaculture industry support from the more appropriate State DOA to ADC. ADC simply does not have the staff or the technical aquaculture expertise necessary to support our industry. With the Hawaii aquaculture industry having grown from a minor activity to a leading diversified agriculture sector in one generation, and with accelerating growth in progress and tremendous growth potential on the horizon, this transfer makes absolutely no sense from an industry support or economic development perspective.

This bill also includes the following overreaching provisions of serious concern:

§163D-E Powers, duties, and activities of the corporation.

(a) The business of aquaculture shall be governed by this part and shall be exempt from any other provisions relating to the harvesting, processing, and marketing of cultured aquatic life.

(b) Except as provided in this part, the business of aquaculture processing, distribution, and marketing shall be administered by the executive director.

(3) Administer the programs of the State relating to animal husbandry, entomology, farm credit, development and promotion of agricultural products and markets, and the establishment and enforcement of the rules on the grading and labeling of agricultural products.

The HAAA respectfully requests that the Committee to carefully review and consider the long-term implications of these indicated exemptions from existing provisions, the granting of administrative oversight of the business of aquaculture in Hawaii to a single individual with no aquaculture experience, and the administration of numerous other sectors of agriculture from entomology to the grading and labeling of agricultural products. Providing such broad reaching powers to ADC and the executive director is both unmanageable and dangerous. We recommend that these powers be deleted from this measure

In addition, **SECTION 11.** of this bill proposes an ADC-managed Mokuleia Aquaculture Innovation Center rather than conducting an Oahu Aquaculture Park feasibility study as the statewide Hawaii Aquaculture Collaborative Steering Committee and the HAAA recommended to AGR as an industry priority prior to session. More appropriate sites for both solar intensity and reliability and deep-water access, which are critical physical elements of NELHA's continuing aquaculture success, do not exist in Mokuleia but appear to be present on the West Side of Oahu and in Ewa. The HAAA respectfully recommends that Section 11 be deleted or amended to fund a feasibility study to determine the most appropriate site(s) for an Oahu Aquaculture Park.

Given the above concerns and more, the HAAA strongly opposes SB818 SD1 HD1, and respectfully request that this bill be opposed or deferred. Alternatively, if you believe the aquaculture development function would be better served by DBED&T, then we respectfully request that this bill be amended to transfer the economic development functions of the program to the Business Development & Support Division, not to ADC. **It is critical, however, that the Aquaculture Disease Diagnostic Lab and Aquaculture Veterinarian remain within DOA's Animal Industries to ensure that this lab remains technically and financially viable to support the veterinary needs of our growing industry.**

Thank you for the opportunity to testify regarding the HAAA's serious concerns and strong opposition to this measure as currently proposed, and to offer recommendations for deletions and/or amendments.

Ron Weidenbach,
HAAA President

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

Representative Linda Ichiyama, Chair, and Representative Mahina Poepoe, Vice Chair
House Committee on Water and Land
State Capitol, 415 S. Beretania St.
Honolulu, Hawai'i 96813

Dear Chair Ichiyama, Vice Chair Poepoe, and Members of the Committee,

I oppose SB 818 SD1 HD1, "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 SD1 HD1 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. 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 3-7 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? The land use regulation revisions currently under review by Honolulu's City Council categorize taro culture as a form of aquaculture; will this traditional activity come under the purview of ADC?
- **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. It was never intended to control entire segments of agriculture, and has not yet accomplished its original goals. A recent study by the State auditor stated "We found that ADC has done little – if anything – to facilitate the development of agricultural enterprises to replace the economic loss created by the demise of the sugar and pineapple industries ... we found that the corporation struggles to manage its lands ... ADC – both its Board of Directors and its staff – does not understand the corporation's overarching purpose ..."

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, when it struggles to administer the lands and facilities it already owns?

- **\$13 million is requested for a poorly sited "Mokuleia aquaculture innovation center."** One of the Hawaii Aquaculture Consortium's stated priorities is a study by an independent consultant of potential sites for an aquaculture park on O'ahu similar to the successful HOST Park at NELHA in Kailua-Kona. Ignoring this priority, SD 818 SD1 HD1 instead requests \$13 million in taxpayer dollars to establish a facility at a site in Mokuleia which has relatively little usable land, needs significant environmental remediation, has questionable access to salt water, and has relatively weak sunlight (important for growth of algae for food and aquatic feed). Apparently little or no consideration has been given to appropriate siting for such an expensive facility.

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 SD1 HD1.

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-HD-1

Submitted on: 3/20/2023 9:29:07 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jenee S Odani	Individual	Oppose	Written Testimony Only

Comments:

Aloha Chair and members of the committee:

My name is Jenee Odani, and I am the Extension Veterinarian with the University of Hawaii at Manoa's College of Tropical Agriculture and Human Resources. I am grateful for the opportunity to provide personal testimony in OPPOSITION of SB 818 This testimony does not represent the position of the University of Hawaii or CTAHR.

I am a veterinary pathologist focused on the area of animal disease diagnostics. I previously worked for the HDOA Veterinary Laboratory and have worked with the Aquatic Animal Veterinary Medical Officer on various disease investigations and projects. The interests of Hawaii's aquaculture producers would be best served by expanding the Aquaculture Livestock Support Services program, while maintaining its current position within the organizational chart.

Thank you for the opportunity to testify on this matter.

SB-818-HD-1

Submitted on: 3/20/2023 12:09:49 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Noa Lincoln	Individual	Oppose	Written Testimony Only

Comments:

I strongly oppose SB 818 "Relating to Aquaculture."

Whereas, both the State Auditor and the University of Hawai'i have recently provided scathing assessments of the Agribusiness Development Corporation (ADC), and that no substantitive changes have been made on behalf of ADC since these assessment, including still lacking a master plan for the revitalization of post-plantaiton agriculture, which was it's primary charge since its creation in 1994, it appears clear that ADC cannot appropriately manage its exsiting charges, much less accept new responsibilities. I have serious concerns about ADC's ability to accomplish the responsibilities laid out in this bill. For instance, ADC has never managed any diagnostics, and yet htis bill will move the Aquaculture Disease and Diagnostics lab to thier management. they would further be charged to follow information and serve as an informaitonal clearing house, but as both a farm owner and a professional working in agricultural research, I have never once received or even seen any information regarding agricultural programs come from ADC. Simialrly, this would charge ADC to coordinate development projects to solve biological and technical issues, something that they have not done for agriculture after nearly 20 years. Who and why is thinking that ADC has the capacity to manage more aspects of Hawai'i's agriculture given thier abysmal performance to date? Following this bill, I have heard tremendous opposition, while the only public support has come from ADC itself, and yet the bill continues to move forward. I call upon our legislatures to appropriate do thier duty in serving the people of Hawai'i and reject this bill.