

ACT 221

H.B. NO. 1221

A Bill for an Act Relating to Agriculture.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The cost of feed for livestock production in Hawaii can comprise up to seventy per cent of total production costs versus close to fifty per cent for mainland producers. There are currently five dairies and six egg farms of significant size, with combined gross annual revenues of \$26,400,000. Within the past year, two egg farms and one dairy farm have gone out of business due to production cost increases, largely attributed to the rising cost of feed for livestock animals. Currently, another dairy farm and another egg farm are threatened by closure. Such closures increase the State's dependence on imported foods and threaten the State's food security and ability to achieve levels of agricultural self-sufficiency. Self-sufficiency is critical to the State's ability to respond effectively in the event of natural disasters or disruptions in transportation.

Closure of local dairies and poultry farms also means that children and adults throughout the state will no longer have the option of selecting fresh, locally produced milk, fresh chickens, and eggs. The public throughout the state has often expressed interest in obtaining locally produced milk, but unfortunately, the dairies do not produce enough to meet the public demand. The public has expressed similar interest for island fresh beef, pork, chicken, and eggs.

Locally produced fresh beef, milk, pork, chickens, and eggs provide essential nutritional needs to consumers. Because these food products are perishable, imported products create an increased risk of food spoilage and resultant food-borne

illnesses due to the increase in time to transport these products from the overseas farms to Hawaii consumers.

Without these local industries, all beef, milk, pork, chicken, and eggs would have to be imported into the state, incurring up to ten days of shipping before being offered to the consumers. Increased shipping time especially decreases the expected shelf life of fresh milk and eggs.

The purpose of this Act is to create a livestock revitalization and food security program to administer and disburse funds to qualified cattle, dairy, hog, and poultry farms that apply for and receive, if properly documented, a reimbursement for up to sixty per cent of each farm's feed expenses. With financial support, the livestock industry will be able to make investments in modern equipment, expand and improve their herds and flocks, and develop new markets and products. This financial support will serve a public purpose by enabling the livestock industries to stabilize their operations, thus, contributing to food security, and make them more competitive with mainland suppliers in the future.

SECTION 2. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

## **“CHAPTER LIVESTOCK REVITALIZATION PROGRAM**

§ -1 **Definitions.** As used in this chapter:

“Administrative costs” means costs associated with reviewing, approving, and recording expenditures and completing any reporting requirements associated with the grant program.

“Department” means the department of agriculture.

“Milk” means the lacteal secretion, practically free from colostrums, obtained by the milking of healthy cows normally produced or marketed through the channels of the fluid milk trade.

“Poultry products” means chicken eggs, uncooked in shell, egg-laying chicks, meat bird chicks, pullets, broilers, fryers, and laying chicken hens.

“Qualified producer” means any person that at the time of application for and disbursement of funds under this chapter is in the business of producing:

- (1) Milk from a herd, located in Hawaii, of not less than three hundred fifty cows;
- (2) Poultry products from a flock, raised and located in Hawaii, of not less than three thousand birds;
- (3) Pork from a herd, raised and located in Hawaii, of not less than fifty sows; or
- (4) Beef, that is grown, slaughtered, processed, and marketed in Hawaii. Producers who finish at least one hundred head of beef cattle annually shall be eligible for this program.

§ -2 **Grants.** (a) Applications for grants by qualified producers shall be submitted a form furnished by the department and shall be filed with accompanying documentation of animal feed costs; provided that:

- (1) The applicant shall comply with applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
- (2) The applicant shall have applied for or received all applicable licenses or permits;

- (3) The applicant shall indemnify and hold harmless the State and its officers, agents, and employees from all claims arising out of or resulting from the feed purchased;
  - (4) The subsidy shall not be allowed within a fiscal quarter if the flock or herd size falls five per cent or more below the required minimum of:
    - (A) Three thousand birds;
    - (B) Three hundred fifty cows;
    - (C) Fifty sows in any two months of the applicable fiscal quarter; or
    - (D) One hundred finished beef cattle annually;
  - (5) The grant shall not exceed a total of \$250,000 per qualified producer per year; and
  - (6) The department may request an applicant to provide necessary information for the purposes of verifying flock or herd size and feed purchases.
- (b) Documentation of animal feed costs, as requested by the department, shall be filed for feed purchased within the immediate preceding fiscal quarter of filing and shall be effective for feed costs incurred after July 1, 2007.
- (c) The applicant shall submit a quarterly financial statement of farm revenues and expenses along with other supporting documents as deemed necessary by the department, and filed with the documentation of the feed costs. An annual financial statement shall be filed with the department within ninety days following the close of the business's fiscal year after the effective date of this Act for final reconciliation of any reimbursement paid during the previous three quarters within the fiscal year. The financial statements shall be certified as accurate by the applicant and the preparer of the financial statement on forms prepared by the department.
- (d) Funds shall be disbursed upon approval by the department to the qualifying producer for up to:
- (1) Sixty per cent of the feed costs incurred for production of poultry products;
  - (2) Forty per cent of the feed costs incurred for milk production;
  - (3) Fifty per cent of the feed costs incurred for pigs raised in Hawaii and slaughtered for local consumption; or
  - (4) Fifty per cent of the feed costs for beef cattle raised in Hawaii and slaughtered in Hawaii for local consumption.
- (e) Feed costs shall be limited to only the feed fed to the qualifying flock or herd and shall not include the feed purchases for resale or gift, or the cost of transportation to Hawaii. In no case shall costs be reimbursed to a qualified producer when, after evaluation and verification by the department, the department determines that the amount of reimbursement will result in an annual profit of more than:
- (1) Twelve per cent for milk producers;
  - (2) Eight per cent for poultry producers;
  - (3) Eight per cent for pork producers; or
  - (4) Eight per cent for beef producers.

§ -3 **Exemption from chapter 42F.** Chapter 42F shall not apply to the grants made pursuant to this chapter, but all reimbursements shall be made only in accordance with the standards and conditions specified in section -2.”

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$3,000,000 or so much thereof as may be necessary for fiscal year 2007-2008 and the same sum or so much thereof as may be necessary for fiscal year 2008-2009 for the agricultural development division of the department of agriculture to disburse to qualified producers of milk, pork, eggs, poultry, and beef, for the cost of feed for beef cattle, dairy cows, hogs, or poultry and to provide for the administrative costs of the livestock revitalization program. The appropriations

made for the purposes authorized under this section shall not lapse at the end of the fiscal year for which the appropriations are made; provided that any balance of any appropriation that is not encumbered as of December 31, 2010, shall lapse as of that date.

The sums appropriated shall be expended by the department of agriculture for the purposes of this Act.

**SECTION 4.** This Act shall take effect upon its approval; provided that section 3 of this Act shall take effect on July 1, 2007.

(Approved June 28, 2007.)