

**ACT 200**

S.B. NO. 593

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 constitute up to seventy per cent of total production costs, whereas feed costs for mainland producers amount to nearly fifty per cent of total production costs. In 2007, there were five dairies and six egg farms of significant size in Hawaii, with combined gross annual revenues of \$26,400,000. Currently, there are only two dairies and four egg farms of significant size, with combined gross annual revenues of \$16,250,000. Since 2007, two dairies and four egg farms have gone out of business, primarily due to the rising cost of feed for livestock animals and the resulting increases in production costs. Since October 2010, the cost of poultry feed alone has increased approximately \$60 per ton and is expected to rise even further.

Currently, one dairy and the four remaining egg farms are threatened by closure. The closures heighten the State's dependence on imported foods and threaten the State's food security and ability to achieve adequate levels of agricultural self-sufficiency. Self-sufficiency is critical to Hawaii's food security and

its ability to respond effectively in the event of natural disasters or disruptions in transportation.

The 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 and eggs. Consumers have often expressed interest in obtaining locally produced milk but, unfortunately, the dairies do not produce enough milk to meet consumer demand. The public has expressed a similar interest in island-fresh beef, pork, sheep, lamb, chicken, eggs, and seafood.

Locally produced fresh beef, milk, pork, lamb, chicken, eggs, and seafood provide essential nutrition to consumers. Transport times from offshore farms to Hawaii consumers create a greater risk of food spoilage and resultant food-borne illnesses due to the highly perishable nature of these products. Without these local agricultural businesses, all beef, milk, pork, lamb, chicken, and eggs would have to be imported into the State, requiring up to ten days of shipping before being sold to consumers. This increased shipping time reduces the expected shelf life of fresh milk and eggs in particular.

The purpose of this Act is to provide funds to allow qualified beef cattle, dairy, hog, poultry, goat, sheep, fish, and crustacean farms to apply for and receive a reimbursement for a percentage of each farm's feed expenses. With financial support, the livestock industry will be able to continue to make investments in modern equipment, expand and improve herds and flocks, and develop new markets and products. This financial support will serve a public purpose by enabling the livestock industry to stabilize its operations, thereby contributing to food security and increasing the competitiveness of the local livestock industry with mainland suppliers.

SECTION 2. Section 155D-1, Hawaii Revised Statutes, is amended by amending the definitions of "milk" and "qualified producer" to read as follows:

"Milk" means the lacteal secretion, practically free from colostrums, obtained by the milking of healthy cows or goats normally produced or marketed through the channels of the fluid milk trade[-] or for further processing into milk products.

"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]~~ ten cows[-] or twenty-five lactating milking goats;
- (2) Poultry products from a flock, raised and located in Hawaii, of not less than ~~[three thousand]~~ thirty birds;
- (3) Pork from a herd, raised and located in Hawaii, of not less than ~~[fifty]~~ ten sows; [or]
- (4) Beef[-] that is grown, slaughtered, processed, and marketed in Hawaii. Producers who finish at least ~~[one hundred]~~ twenty head of beef cattle annually shall be eligible for this program[-];
- (5) Sheep, lambs, or goats that are grown, slaughtered, processed, and marketed in Hawaii, with current annual sales of not fewer than thirty sheep, lambs, or goats; or
- (6) Fish or crustaceans, farmed by aquacultural practices, with current annual sales of not less than two thousand pounds."

SECTION 3. Section 155D-2, Hawaii Revised Statutes, is amended to read as follows:

~~"[H]§155D-2[H] Grants[-]; qualified producer.~~ (a) Applications for grants by qualified producers shall be submitted ~~[H]on[H]~~ a form furnished by the depart-

ment 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 or, in the case of fish or crustaceans, sale weight, falls five per cent or more below the required minimum of:
  - (A) ~~Three thousand~~ Thirty birds;
  - (B) ~~Three hundred fifty~~ Ten cows;
  - (C) ~~Fifty~~ Ten sows in any two months of the applicable fiscal quarter; ~~or~~
  - (D) ~~One hundred~~ Twenty finished beef cattle annually;
  - (E) Twenty-five lactating milking goats;
  - (F) Thirty sheep, lambs, or goats raised for meat annually; or
  - (G) Sales of five hundred pounds of fish or crustaceans in the applicable fiscal quarter; and
- (5) ~~The grant shall not exceed a total of \$250,000 per qualified producer per year; and~~
- (6) (5) The department may request an applicant to provide necessary information for the purposes of verifying flock or herd size or sale weight, as applicable, 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-]~~ 2013.
  - (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' fiscal year after June 28, ~~[2007]~~ 2013, 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[-];
    - (5) Fifty per cent of the feed costs for sheep, lambs, and goats raised in Hawaii and slaughtered in Hawaii for local consumption; or
    - (6) Fifty per cent of the feed costs for fish or crustaceans raised in Hawaii and processed for local consumption.

(e) Feed costs shall be limited to only the feed fed to the qualifying flock ~~[or, herd, fish, or crustaceans]~~ 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~~[-];~~
- (5) Eight per cent for sheep, lamb, or goat meat producers; or
- (6) Eight per cent for seafood producers.
- (f) The department shall aggregate the total grant claims pursuant to this section and divide and distribute the available grant funds on a pro rata basis.”

SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of \$1,500,000 or so much thereof as may be necessary for fiscal year 2013-2014 for the agricultural development division of the department of agriculture to:

- (1) Reimburse qualified producers of milk, pork, eggs, poultry, beef, lamb, goats, and seafood, for the cost of feed for beef cattle, dairy cows or milking goats, goats raised for meat, sheep, hogs, fish, crustaceans, and poultry; and
- (2) Provide funding for the administrative costs of the livestock revitalization program.

SECTION 5. The appropriation made for the purpose authorized under section 4 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 June 30, 2016, shall lapse as of that date.

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

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2013.

(Approved June 26, 2013.)