

RUSSELL S. KOKUBUN Chairperson, Board of Agriculture

SCOTT E. ENRIGHT Deputy to the Chairperson

State of Hawaii DEPARTMENT OF AGRICULTURE 1428 South King Street Honolulu, Hawaii 96814-2512 Phone: (808) 973-9600 FAX: (808) 973-9613

#### TESTIMONY OF RUSSELL S. KOKUBUN CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE

THURSDAY, MARCH 28, 2013 2:00 P.M. ROOM 308

SENATE BILL NO 593 SENATE DRAFT 2, HOUSE DRAFT 1 RELATING TO AGRICULTURE

Chairperson Luke and Members of the Committee

Thank you for the opportunity to testify on Senate Bill No. 593 SD 2 HD 1. The bill proposes to provide funds to qualified developers of feed to receive a percentage of expenses on the animal feed development and to qualified beef cattle, dairy, hog, poultry, goat, sheep, fish, and crustacean farms to receive a reimbursement for a percentage of each farm's feed expenses. The department supports the intent of the bill.

The bill has been amended from its original version, by lowering the number of animals a farm must need to qualify for reimbursement. The department is concerned that by lowering the number of animals, it will allow for many "backyard" type operations to qualify for reimbursement and limit the amount of available funds needed to help sustain larger operations.

Thank you for the opportunity to testify on this measure.





2343 Rose Street • Honolulu, Hawaii 96819 Phone: (808) 848-2074 • Neighbor-Islands: (800) 482-1272 Fax: (808) 848-1921 • Email: <u>info@hfbf.org</u> www.hfbf.org

March 28, 2013

#### HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE

#### TESTIMONY ON SB 593, SD2, HD1 RELATING TO AGRICULTURE

#### Room 308 2:00 PM

Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and Members of the Committee:

I am Dean Okimoto, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,950 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community

HFBF is in strong support of SB 593, SD2, HD1 which provides funds to allow qualified beef cattle, dairy, hog, poultry, goat, sheep, fish, and crustacean farms to apply for funds for their farm's feed expenses and creates a livestock feed developer subsidy.

Hawaii's livestock industry faces numerous challenges. One of their biggest challenges is the rising cost of feed for livestock production. These costs have been a contributing factor to the decline of the state's livestock industry.

In 2007, there were 5 dairies and 6 egg farms in Hawaii. Since then, 3 those dairies and 4 off those egg farms have gone out of business The remaining egg farms and another dairy are currently threatened with closure, due to rising production costs. Primarily due to feed costs.

SB 593, SD2, HD1 seeks to revitalize Hawaii's livestock industries by reimbursing qualified livestock producers up to sixty percent of their farm's feed expenses. This bill will help keep fresh, locally produced milk, eggs, beef, pork, poultry, sheep, goat, fish, and crustaceans available to the residents of Hawaii and will help to revitalize our dwindling livestock industry. A decrease or absence of livestock production increases the State's reliance on the importation of food and threatens the State's food security.

Thank you for this opportunity to provide our opinion on this important matter.



Hawaii's Agricultural Partnership

## SB 593 SD2 HD 1 RELATING TO AGRICULTURE

## 4 Ag Hawaii supports SB 593 SD2 HD1

Hawaii's Livestock Farmers continue to endure the effects of a prolonged and devastating drought - as one rancher put it "a drought of almost biblical proportions". Coupled with the ongoing drought on the mainland, which has devastated this year's grain harvests resulting in rapidly escalating grain & livestock feed prices, imported feeds have skyrocketed. Hawaii's Family Owned Farmers need your help to meet these increasing costs to be able to produce local products to help Hawaii's Food Security.

In order for Hawaii's Livestock Farmers to meet these much higher-than-normal feed costs, a feed tax credit is sorely needed.

4 Ag Hawaii is a non-profit 501[c] [3] corporation established as a public-private partnership focused on goals that include: promoting the agricultural economic welfare of Hawai'i and its counties; conducting agricultural economic; educational & media programs, and fostering statewide interest for responsible agricultural economic development of our islands.

Thank you for the opportunity to provide testimony on this matter.



#### <u>THE HOUSE</u> THE TWENTY-SEVENTH LEGISLATURE REGULAR SESSION OF 2013

#### **COMMITTEE ON FINANCE**

Rep. Sylvia Luke, Chair Rep. Scott Y. Nishimoto, Vice Chair Rep. Aaron Ling Johanson, Vice Chair

DATE: Thursday, March 28, 2013 TIME: 2:00 p.m. PLACE: Conference Room 308 State Capitol 415 South Beretania Street

**RE:** Testimony in <u>strong support</u> of SB 593 SD2 HD1 RELATING TO AGRICULTURE Expands livestock feed subsidies to include sheep, lamb, fish and crustaceans. Appropriates funds.

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committees:

The Hawaii Aquaculture and Aquaponics Association representing aquaculture and aquaponics producers and researchers statewide <u>strongly supports SB 593 SD2 HD1 with two requested</u> <u>amendments to page 11, item 6. Lines 4-6 as follows</u>:

# 6. [Fifty] <u>Sixty</u> per cent of the feed costs for fish or crustaceans raised in Hawaii and <u>sold</u> <u>or</u> processed for local consumption.

The HAAA is requesting a change to sixty percent to be equivalent to poultry which is the most similar livestock commodity in terms of feed costs (please see explanation in next paragraph). In regards to local consumption, a significant percentage of the fish and crustaceans produced in Hawaii are sold live or fresh on ice rather than being processed, so the second requested change addresses this unique marketing situation.

The costs of feeds imported to Hawaii for fish and crustacean production typically range from sixty to seventy per cent of total production costs, being seventy per cent during the current grain shortage described below. This has been the reason that the Oceanic Institute and the Hawaii aquaculture industry have been seeking Federal and State funding for more than a decade to address the long term need to develop a local feed production capacity to support the local

aquaculture industry. This effort has been broadened in recent years with the realization that all other livestock commodities are facing a similar situation, and its resolution is fundamental to Hawaii's goal of increased local food production and food security.

The immediate crisis is the result of a devastating drought that has decimated the grain harvests in at least four Midwestern states this past year resulting in rapid increases in grain and livestock feed prices. Transportation costs are also at an all-time high. Aquaculture and other livestock producers dependent on such imported feeds are experiencing significant feed price increases, and such increases are projected by the USDA Farm Service Agency to continue for the rest of 2013 until the next successful grain harvest. In the meantime, farmers and ranchers can expect to pay much higher than normal prices for imported feeds. In order for Hawaii's aquaculture and livestock producers to meet these essential but rapidly rising feed costs, a feed subsidy is badly needed.

As section 1 of this bill indicates: With financial support, the livestock industry (including aquaculture) will be able to continue to make investments in modern equipment, expand production, and develop new markets and products. This financial support will serve a public purpose by enabling the Hawaii livestock industry to stabilize its operations, thereby contributing to food security and increasing the competitiveness of the local livestock industry with mainland and foreign suppliers.

Again we strongly support this measure with the two minor amendments requested, and appreciate the opportunity to provide supportive testimony.

Ron Weidenbach HAAA President

## **FINTestimony**

| From:<br>Sent: | mailinglist@capitol.hawaii.gov<br>Tuesday, March 26, 2013 6:48 AM |
|----------------|---|
| To:            | FINTestimony  |
| Cc:            | cochonlibre@gmail.com   |
| Subject:       | *Submitted testimony for SB593 on Mar 28, 2013 14:00PM*           |

#### SB593

Submitted on: 3/26/2013 Testimony for FIN on Mar 28, 2013 14:00PM in Conference Room 308

| Submitted By  | Organization          | <b>Testifier Position</b> | Present at Hearing |
|---------------|-----------------------|---------------------------|--------------------|
| Cathy Goeggel | Animal Rights Hawai'i | Oppose                    | No                 |

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing \_, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.



# Hawaii Cattlemen's Council, Inc.

P 0 Box 437199 Kamuela HI 96743 Phone (808) 885-5599 • Fax (808) 887-1607 e-mail: <u>HICattlemens@hawaii.rr.com</u>

# HOUSE COMMITTEE ON AGRICULTURE

MARCH 28, 2013 2:00 p.m. Room 308

## SB 593 SD2 HD 1 RELATING TO AGRICULTURE

Expands livestock feed subsidies to include sheep, lamb, fish and crustaceans. Appropriates funds.

Chair Luke, Vice Chairs and Members of the Committees:

My name is Alan Gottlieb, and I am a rancher and the Government Affairs Chairperson of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our 130+ member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council <u>strongly supports</u> SB 593 SD 2 HD1, with <u>one suggested change</u>: Page 11, line 4, (6) change Fifty per cent to Sixty per cent. Our aquaculture friends tell us that the typical feed costs for aquaculture is 60-70%, comparable to poultry which is already in the bill at 60 per cent.

Subsidies are often a dirty word. One might argue that farmers get used to subsidies and then expect them year after year. However, this year is particularly urgent for our Hawaii Livestock Producers. In particular, a devastating drought has decimated this year's grain harvests in at least four Midwestern states resulting in rapid increases in grain and livestock feed prices. Livestock producers dependent on such imported feeds are experiencing significant feed price increases and such increases are projected by the USDA Farm Service Agency to continue for the rest of 2013 until the next successful grain harvest. In the meantime, farmers and ranchers can expect to pay premium prices for imported grains and feeds. In order for Hawaii's livestock producers to meet these much higher-than-normal feed costs, a feed subsidy is needed.

As section 1 of this bills states: "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."

There are a number of projects locally to develop local feed sources from by-products from energy and/or bio-fuel, and to grow feed locally. There is hope for the future with these local sources, IF the livestock industry is still around to benefit from them. Without subsidies in the short term, we are afraid we will continue to lose livestock farms, like we have seen in the Chicken, Egg and Dairy industries in Hawaii.

We appreciate this opportunity to provide testimony on this matter.

| Submitted By        | Organization                    | Testifier Position | Present at<br>Hearing |
|---------------------|---------------------------------|--------------------|-----------------------|
| William G. Jacintho | Maui Cattlemen's<br>Association | Support            | No                    |

Comments: We strongly supports SB 593 SD 2 HD1, with one suggested change: Page 11, line 4, (6) change Fifty per cent to Sixty per cent. The typical feed costs for aquaculture is 60-70%, comparable to poultry which is already in the bill at 60 per cent.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.



HOUSE COMMITTEE ON FINANCE Thursday, March 28, 2013 — 2 p.m. — Room 308

#### Ulupono Initiative Strongly Supports SB 593 SD2 HD1, Relating to Agriculture

Chair Luke, Vice Chairs and Members of the Committee:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono is testifying <u>strongly in favor</u> of SB 593 SD2 HD1, with <u>one suggested change</u>: page 11, line 4, (6) change 50 percent to 60 percent. Our aquaculture friends tell us that the typical feed cost for aquaculture is 60-70 percent, comparable to poultry which is already in the bill at 60 percent. This measure would extend the livestock feed subsidy to help Hawai'i farms hit hard by the recent drought in Hawai'i and the Midwest. The bill would disburse up to \$200,000 or 15 percent of anticipated feed costs for sheep, goat, cattle, dairy, hog, poultry, fish, and crustacean farms. The subsidy is needed for Hawai'i's livestock producers to break even due to much higher-than-normal feed costs resulting from the devastating Midwest drought, which increased prices another 20 percent since last year. According to the USDA, corn prices have risen 97 percent since the 2009 season, the last year of stable feed prices.

Feed costs for livestock production in Hawai'i can comprise 70 percent of production cost, compared to 50 percent for Mainland producers, which has contributed to the decline of the local livestock industry. While the industry works to create more homegrown feed, the subsidy is needed to help sustain the industry through these drought-stricken times. Funding for this measure can come from a modest shift in the barrel tax.

The \$3 million annual cost of this measure should be compared to its benefits. If the support were removed before the industry had created alternative local feed, the tax revenues that the livestock industry provides would be lost. For example, what would be the consequence if just ONE of the industries supported by this measure failed?

Hawai'i's struggling egg industry is the most vulnerable and reported farm gate revenue of \$8.7 million (2008), which translates to direct and indirect economic impact to the State of \$16.53 million annually, another \$4.3 million direct to farmer revenue; \$0.55 million in state tax revenue annually. Thus, if we support the livestock industry, we get \$500,000 EVERY YEAR in revenue back to the State from the poultry industry alone. The numbers are correspondingly higher when the entire industry that this bill supports is considered.

Pacific Guardian Center, Mauka Tower 737 Bishop Street, Suite 2350, Honolulu, HI 96813

808 544 8960 o | 808 544 8961 f www.uluponoinitiative.com If the Hawai'i egg industry were to lose the battle to survive, these economic benefits would be lost, along with the rich tradition of generations of farmer experience. When we lose the people that know how to manage the business, we lose the ability to bring the business back. We often lose the infrastructure the industry manages. Restoring an industry takes millions of new investment, far higher than maintaining it.

Ulupono has joined with a diverse group of organizations who have come together for the first time as the Local Food Coalition to support proposals designed to help grow more local food. The coalition brings together farmers, ranchers, livestock producers, investors and other organizations. The idea is that putting more local food on local plates can best be accomplished by bringing people and organizations together who can work on the entire food value chain in a systematic way.

We believe that working together we can help produce more local food, support an economically strong homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta General Partner

| Submitted By | Organization                  | Testifier Position | Present at<br>Hearing |
|--------------|-------------------------------|--------------------|-----------------------|
| Alex Franco  | Hawaii Cattlemen's<br>Council | Support            | No                    |

Comments: Strongly support SB 593 SD 2 HD1. Please consider changing page11 line 4 (6) from fifty percent to sixty percent. Thank you

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By | Organization     | <b>Testifier Position</b> | Present at<br>Hearing |
|--------------|------------------|---------------------------|-----------------------|
| Jimmy Gomes  | Ulupalakua Ranch | Support                   | No                    |

Comments: We strongly support SB 593 SD2 HD1 w/ one suggested change: Page 11, line 4, (6) change 50% to 60%. Our aquaculture friends tell us thatt the typical feed cost for aquaculture is 60-70%, comparable to poultry which is already in the bill @ 60%

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By   | Organization        | Testifier Position | Present at<br>Hearing |
|----------------|---------------------|--------------------|-----------------------|
| Harry von Holt | Ponoholo Ranch, Ltd | Support            | No                    |

Comments:

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By | Organization     | <b>Testifier Position</b> | Present at<br>Hearing |
|--------------|------------------|---------------------------|-----------------------|
| Keith Unger  | McCandless Ranch | Support                   | No                    |

Comments: McCandless Ranch strongly supports SB 593 SD 2 HD1, with one suggested change: Page 11, line 4, (6) change fifty per cent to sixty per cent. Those in the aquaculture industry state that the typical feed costs for aquaculture is 60-70%, compared to poultry which is already in the bill at 60%.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By      | Organization | Testifier Position | Present at<br>Hearing |
|-------------------|--------------|--------------------|-----------------------|
| Brendan Balthazar | Individual   | Oppose             | No                    |

Comments: Sorry if the feed subsidy is written the same way it was in the past it only helps few. Not all of the small ranchers and the small ranchers can't afford to set up markets because they don't have enough supply. So there only choice is to sell there cattle to the cattle buyers and ship them out. Which makes them ineligible for the subsidy. Which is very unfair. They all have to weather the droughts and buy feed to keep there cattle going the same as all of the big guys. But who gets the help??? These animals must be marketed in Hawaii in order to qualify. This is the wrong part. These animals are all produced here in Hawaii but there is no way to market them to the consumer here. Brendan

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

# <u>SB593</u>

Submitted on: 3/27/2013 Testimony for FIN on Mar 28, 2013 14:00PM in Conference Room 308

| Submitted By | Organization | <b>Testifier Position</b> | Present at<br>Hearing |
|--------------|--------------|---------------------------|-----------------------|
| Calvin Wong  |              | Support                   | No                    |

Comments:

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By     | Organization | <b>Testifier Position</b> | Present at<br>Hearing |
|------------------|--------------|---------------------------|-----------------------|
| Halina M Zaleski | Individual   | Support                   | No                    |

Comments:

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By | Organization | <b>Testifier Position</b> | Present at<br>Hearing |
|--------------|--------------|---------------------------|-----------------------|
| Lyn Howe     | Individual   | Support                   | No                    |

Comments:

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By       | Organization | <b>Testifier Position</b> | Present at<br>Hearing |
|--------------------|--------------|---------------------------|-----------------------|
| Robert H. Ferreira | Individual   | Support                   | No                    |

Comments: Strongly support SB 593 SD 2 HD1, with one suggested change: Page 11, line 4, 96) change Fifty per cent to Sixty per cent. Our aquqculture friends tell us that the typical feed costs for aquaculture is 60-70%, comparable to poultry which is already in the bill at 60 per cent. Please support

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By | Organization | <b>Testifier Position</b> | Present at<br>Hearing |
|--------------|--------------|---------------------------|-----------------------|
| Sara Moore   |              | Support                   | No                    |

Comments: This subsidy has been hugely beneficial to livestock producers to make it affordable to feed our cattle and carry them through dry times humanely. One change: Page 11, line 4, (6) change Fifty per cent to Sixty per cent. Our aquaculture friends tell us that the typical feed costs for aquaculture is 60-70%, comparable to poultry which is already in the bill at 60 per cent.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By    | Organization | <b>Testifier Position</b> | Present at<br>Hearing |
|-----------------|--------------|---------------------------|-----------------------|
| Wayne Shimokawa | Individual   | Support                   | No                    |

Comments: Strongly Supports SB 593 SD 2 HD1, with one suggested change: Page 11, line 4, (6) change Fifty per cent to Sixty per cent. Our aquaculture friends tell us that the typical feed costs for aquaculture is 60-70%, comparable to poultry which is already in the bill at 60 per cent.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By | Organization | <b>Testifier Position</b> | Present at<br>Hearing |
|--------------|--------------|---------------------------|-----------------------|
| Harriet Witt | Individual   | Support                   | No                    |

Comments:

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By      | Organization | <b>Testifier Position</b> | Present at<br>Hearing |
|-------------------|--------------|---------------------------|-----------------------|
| Laureen Elizabeth | Individual   | Support                   | No                    |

Comments: I am a member of Hawaii Farmers Union United and support measures to assist the farmers who grow food locally!

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

| Submitted By | Organization | Testifier Position | Present at<br>Hearing |
|--------------|--------------|--------------------|-----------------------|
| Hugh Starr   | Individual   | Support            | No                    |

Comments:

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.