

DAVID Y. IGE
Governor

DOUGLAS S. CHIN
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, April 5, 2018
10:15 a.m.

HOUSE BILL NO. 2538 HD1 SD2 PROPOSED
RELATING TO AGRICULTURE

Chairperson Dela Cruz and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation ("ADC"). The ADC supports House Bill No. 2538 HD1 SD2 proposed that amends section 47, item A.8.02 Livestock Feed Mill, Oahu and item A.8.05 Waste Stream Recycling Facility, Oahu of Act 119, Session Laws of Hawaii 2015, as amended by Act 124, Session Laws of Hawaii 2016 to both read "The Legislature Finds and Declares that the Appropriation is in the Public Health, Safety, and General Welfare of the State."

ADC notes that the funding for these two appropriations will lapse on June 30, 2018. Rather than amending Acts 119 and 124, ADC recommend that the two appropriations be re-appropriated in Fiscal Year 2019 under AGR161 as follows:

CONSTRUCTION AND EQUIPMENT FOR THE ESTABLISHMENT OF A FEED MILL TO BE LOCATED IN OAHU. PROJECT TO INCLUDE SITE WORK AND ALL PROJECT RELATED COSTS. THE LEGISLATURE FINDS AND DECLARES THAT THE APPROPRIATION IS IN THE PUBLIC HEALTH, SAFETY, AND GENERAL WELFARE OF THE STATE.

CONSTRUCTION	400
EQUIPMENT	3,600
TOTAL FUNDING AGR	4,000C

PLANS, DESIGN AND CONSTRUCTION FOR WASTE STREAM RECYCLING EQUIPMENT TO PROCESS BIOWASTE. THE LEGISLATURE FINDS AND DECLARES THAT THE APPROPRIATION IS IN THE PUBLIC HEALTH, SAFETY, AND GENERAL WELFARE OF THE STATE.

PLANS	1
DESIGN	1
CONSTRUCTION	948
TOTAL FUNDING AGR	950C

Moreover, if these re-appropriations are added to the current budget bill, we understand that the 2015 and 2016 appropriations must be force lapsed. We suggest the following language be inserted into Senate Bill No. 192.

(xx) Any law to the contrary notwithstanding, the appropriations under Act 119, Session Laws of Hawaii 2015, Section 47, as amended and renumbered by Act 124, Session Laws of Hawaii 2016, Section 5, in the amounts indicated or balances thereof, unallotted, allotted, unencumbered, or encumbered and unrequired, are hereby lapsed:

"Item No.	Amount	(MOF)
A-8.02	\$4,000,000	C
A-8.05	\$950,000	C"

Thank you for the opportunity to testify, and for your consideration of this bill.

HB-2538-SD-1

Submitted on: 4/4/2018 9:31:13 AM

Testimony for WAM on 4/5/2018 10:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Micah Munekata	Testifying for Hawaii Department of Agriculture	Support	No

Comments:



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Thursday, April 5, 2018 — 10:15 a.m. — Room 211

Ulupono Initiative Strongly Supports HB 2538 HD 1 SD 1, Relating to Agriculture

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

My name is Kyle Datta and I am General Partner of 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 produced food; increase affordable, clean, renewable energy; and better management of waste and fresh water. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono strongly supports HB 2538 HD 1 SD 1, which authorizes general obligation bonds and appropriates funds for a livestock feed mill by the Agribusiness Development Corporation, because it aligns with our goal of creating more locally produced food.

Feed is the single largest cost of any animal agriculture operation and currently all feed in Hawai'i is imported from mainland feed manufacturers such as Cargill, Land O'Lakes feed, Nutreco, and Ewos. Feed costs for livestock production in Hawai'i can comprise 70 percent of production cost, and our concern is that we need to keep our livestock producers in business.

This chart shows an estimated range of costs for feed from 2017:

Feed Type	Ingredient Cost per Ton	Need Protein Supplement Add?	Shipping Cost to Hawai'i per Ton	Total Cost per Ton
Shrimp	\$2,500	No	+\$200	\$2,700
Tilapia	\$1,700	No	+\$200	\$1,900
Pig (Babies)	\$800	No	+\$200	\$1,000
Pig (Mature)	\$500	No	+\$200	\$700
Cargill Protein	\$720	No	+\$200	\$920
Soybean Meal	\$400	Yes	+\$200	\$600 + Protein Supplement
Alfalfa	\$250	Yes	+\$200	\$450 + Protein Supplement

Investing in a Sustainable Hawai'i

Corn	\$200	Yes	+\$200	\$400 + Protein Supplement
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High feed costs have directly caused the demise of the local chicken broiler industry, and now threaten the established chicken egg layer, pork, dairy, and beef cattle sectors, as well as the growing aquaculture industry in Hawai'i. Rising ingredient prices and demand for scarce supplies have led to the evaluation and development of alternative ingredients worldwide, especially in aquaculture, where fishmeal and fish oil are in increasingly short supply.

Currently, there are no companies producing feeds at a commercial scale in Hawai'i. Commercial-scale trials are necessary to test the economic feasibility of locally produced feeds. If locally produced feeds can be economically viable for both producers and consumers of the feeds, it is hoped that a full commercial-scale feed industry (20,000 to 100,000 ton per year) can be re-established in Hawai'i. We also know that there is already significant agricultural waste in the existing system. The larger scale by-products include fishery waste, vegetable/fruit waste, mill run, and glycerin. Collectively, these could already be the basis for current animals feeds once research and a mill is operational. Such an effort would have to coincide with the revitalization of livestock producers (i.e., poultry, beef, hogs, dairy and seafood), as well as the expansion of feed ingredient suppliers (i.e., biofuels, corn, cover crops, and processing waste).

Investing in the development of a local feed source removes a major bottleneck for the livestock industry in Hawai'i. If it is possible to produce a 100 percent local feed, the cost of feed to livestock producers could decrease by 12 percent for aquatic feeds and as much as 29 percent for terrestrial feeds. Additional gains could be made if locally sourced ingredients were also available at a discount to conventional mainland ingredients.

We cannot afford to lose local food producers like ranchers, aquaculture farmers, and poultry farmers. While the industry works to create more homegrown feed, this funding for a livestock feed mill is needed to help sustain the industry. The long-term effect for developing a homegrown feed industry would greatly assist our local farmers and ranchers to improve profitability by reducing one of their main expenses.

As Hawai'i's local food issues become more complex and challenging, organizations need additional resources and support to address and overcome them. We appreciate this committee's efforts to look at policies that support local food production.

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

Respectfully,

Kyle Datta
General Partner



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April 5, 2018

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON HB 2538, HD1, PROPOSED SD2
RELATING TO AGRICULTURE

Room 211
10:15 AM

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

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

HFB supports HB 2538, HD1, Proposed SD2, which amends descriptions of capital improvement projects related to Live Stock Feed Mill and Waste Stream Recycling Facility in the General Appropriations Act of 2015, as amended.

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 of 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 the cost of feed.

HB 2538, HD1, Proposed SD2, will help to keep fresh, locally produced milk, eggs, beef, pork, poultry, sheep, lamb, 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 the opportunity to comment on this measure.

HB-2538-SD-1

Submitted on: 4/4/2018 6:01:51 AM

Testimony for WAM on 4/5/2018 10:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

To the Honorable Donovan M. Dela Cruz, Chair; the Honorable Gilbert S. C. Keith-Agaran, Vice-Chair, and Members of the Committee on Ways and Means:

Good morning. My name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") on Legislative Priorities of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on **HB2538 HD1 SD2** relating to the State Budget; Agriculture; DOA; Capital Improvement Projects; East Maui Water Systems; and appropriations

The OCC Legislative Priorities Committee is in favor of **HB2538 HD1 SD2** and supports its passage.

HB2538 HD1 SD2, is in alignment with the Platform of the Democratic Party of Hawai'i ("DPH"), as it appropriates moneys to the Department of Agriculture for capital improvement projects for the benefit of East Maui.

Specifically, the DPH Platform states, "[a]griculture in our state must be preserved and its future strengthened. Sufficient prime agricultural lands must be maintained for the health, economic well-being and sustenance of the people. We believe in an integrated approach to agricultural innovation and sustainability. We encourage the responsible development of ocean resources in order to achieve sustainability of our marine resources, and ensure and improve the health of our reef and marine life.

This approach includes, but is not limited to, the adoption of the native Hawaiian concept of ahupua'a, an integrated approach to land management. This could also include development of economic, land and ocean use policies that foster sustainable crops both for local consumption and for export, policies to foster agriculture-related infrastructure at shipping points, and increased inspection to protect against invasive species and to encourage reduced holding times.

We will promote ethical and safe production of livestock, dairy products, poultry and eggs. (Platform of DPH, P. 2, Lines 76-88 (2016)).

Recognizing the importance of the ocean as a life-sustaining resource, we must protect its ecological balance while promoting the cultivation of ocean resources as a step toward greater self-sufficiency.

To ensure wise use and equitable distribution of our precious water, we must stress water conservation and alternative patterns of water treatment and consumption such as the use of recycled water for irrigation, water storage reservoirs, and the use of catchment systems by the public. (Platform of DPH, P. 2, Lines 90-95 (2016)).

As an island state, securing affordable food for all is a priority. We support healthy, sustainable, and diversified local food production, and “Buy Local” strategies to assure greater food security and food safety.

We recognize the essential link between the availability of adequate and affordable water and low-cost electrical power as essential components of viable agricultural businesses.

We support land use planning and infrastructure development to support sustainable diversified agriculture, including low cost inter-island transportation of agricultural products. We likewise support publicly funded research and development for agricultural diversification and value-added products.

We support the designation of Important Agricultural Lands as a step towards preserving high-grade productive lands for current and future needs. (Platform of DPH, P. 2, Lines 97-110 (2016)).

We promote solid waste policies that divert green waste and food scraps for making invasive species free compost and enhanced mulch available to our farmers, landscapers, and residents. (Platform of DPH, P. 3, Lines 115-116 (2016)).

Given that **HB2538 HD1 SD2** amends descriptions of capital improvement projects related to Live Stock Feed Mill and Waste Stream Recycling Facility in the General Appropriations Act of 2015, as amended, it is the position of the OCC on Legislative Priorities to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC on Legislative Priorities

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