

JAN 19 2024

A BILL FOR AN ACT

RELATING TO AGRICULTURE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that while Hawaii has
2 soils and climates that are ideal for many crops, Hawaii's
3 agricultural economic productivity has lagged behind other
4 states and countries. In a 2021 report analyzing Hawaii's
5 agricultural economic landscape, the university of Hawaii's
6 economic research organization explains some of the large
7 economic constraints for local farmers: "Because of high input
8 costs to production and smaller-scale farms, it is difficult for
9 Hawai'i to compete with production in other regions. Input costs
10 of agricultural production are 40 percent higher, farms generate
11 half the sales, and farms are two-to-three times smaller in
12 acreage compared to the U.S mainland". In regard to input
13 costs, the most viable constraint to address, shipping and
14 transportation costs are a significant expense to Hawaii's
15 agricultural farming industry and its food producers.

16 Local food producers are faced with the economic challenges
17 brought by high transportation costs due to variable and



1 volatile factors such as market fluctuations, flexible commodity
2 prices, adverse weather events, availability of shipping
3 containers, limited options for trucking companies, and
4 increases in domestic fuel prices. To offset some of these
5 expenses, farmers have cut out transportation costs by selling
6 directly to their consumers or incorporating transportation
7 options directly into their business operations rather than
8 contracting with an outside company. However, for agricultural
9 farmers who transport products interisland, these high shipping
10 costs are unavoidable.

11 The legislature further finds that the impacts of the
12 coronavirus 2019 disease have exposed Hawaii's need to
13 strengthen local food systems and reduce dependence on imported
14 foods to ensure that a reliable stream of affordable and
15 nutritious foods are readily available for the State's
16 residents. Maintaining the current agricultural output for the
17 State, in the hopes of scaling up production and increasing
18 future agricultural output, requires that incremental increases
19 in subsidies for agricultural producers are realized and
20 established through successful legislation. This promotes
21 profitability, increases competitiveness of local agriculture,



1 and strengthens the domestic and local supply chains within the
2 islands.

3 Therefore, the purpose of this Act is to establish and
4 appropriate funds for a local agriculture transportation cost
5 reimbursement incentive program to be administered by the
6 department of agriculture to reimburse eligible agricultural
7 producers for a portion of the producer's cost to transport
8 agricultural commodities.

9 SECTION 2. Chapter 141, Hawaii Revised Statutes, is
10 amended by adding a new section to part I to be appropriately
11 designated and to read as follows:

12 "§141- Local agriculture transportation cost
13 reimbursement incentive program. (a) There is established a
14 local agriculture transportation cost reimbursement incentive
15 program to be administered by the department of agriculture to
16 reimburse eligible agricultural producers for a portion of the
17 producer's costs to transport agricultural commodities; provided
18 that the department of agriculture shall only reimburse
19 transportation costs associated with air cargo, parcel, or water
20 cargo carrier services.



1 (b) To be eligible to receive reimbursement payments
2 pursuant to this section, an agricultural producer shall be a
3 farmer or rancher in the State and produce agricultural
4 commodities for consumption within the State. Payments shall be
5 disbursed to reimburse up to:

6 (1) One hundred per cent of total transportation costs for
7 farms with gross income of less than \$200,000 per
8 year;

9 (2) Twenty five per cent of total transportation costs for
10 farms with gross income of \$200,000 to \$1,000,000 per
11 year; and

12 (3) Ten per cent of total transportation costs for farms
13 with gross income of more than \$1,000,000 per year.

14 Reimbursement payments disbursed pursuant to this section shall
15 be in an amount not to exceed \$5,000 per year.

16 (c) For purposes of this section, "agricultural commodity"
17 has the same meaning as defined in section 145-21."

18 SECTION 3. In accordance with section 9 of article VII of
19 the Hawaii State Constitution and sections 37-91 and 37-93,
20 Hawaii Revised Statutes, the legislature has determined that the
21 appropriations contained in Act 164, Regular Session of 2023,

1 and this Act will cause the state general fund expenditure
2 ceiling for fiscal year 2024-2025 to be exceeded by
3 \$ or per cent. This current declaration takes
4 into account general fund appropriations authorized for fiscal
5 year 2024-2025 in Act 164, Regular Session of 2023, and this Act
6 only. The reasons for exceeding the general fund expenditure
7 ceiling are that:

- 8 (1) The appropriation made in this Act is necessary to
9 serve the public interest; and
- 10 (2) The appropriation made in this Act meets the needs
11 addressed by this Act.

12 SECTION 4. There is appropriated out of the general
13 revenues of the State of Hawaii the sum of \$ or so
14 much thereof as may be necessary for fiscal year 2024-2025 for
15 the department of agriculture to fund and administer the local
16 agriculture transportation cost reimbursement incentive program
17 established pursuant to this Act.

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

20 SECTION 5. New statutory material is underscored.



S.B. NO. 2799

1 SECTION 6. This Act shall take effect on July 1, 2024.

2

INTRODUCED BY:

Wendell M. Peltier



S.B. NO. 2799

Report Title:

DOA; Transportation Costs; Reimbursements; Incentives;
Expenditure Ceiling; Appropriation

Description:

Establishes a Local Agriculture Transportation Cost Reimbursement Incentive Program to be administered by the Department of Agriculture to reimburse eligible producers for a portion of the producer's costs to transport agricultural commodities. Declares that the general fund expenditure ceiling is exceeded. Makes an appropriation.

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