

ACT 122

S.B. NO. 2695

A Bill for an Act Relating to Livestock Feed.

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, while for mainland producers, this cost amounts to fifty per cent of total production costs. In Hawaii, in 2007, there were five dairies and six egg farms of significant size, 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, the four remaining egg farms are threatened by closure. Such closures would increase 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 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 the dairies do not produce enough milk to meet public demand. The public has expressed a similar interest in island-fresh beef, pork, chicken, eggs, fish, and seafood.

Locally produced fresh beef, milk, pork, chicken, eggs, fish, and seafood provide essential nutrition to consumers. However, these kinds of food are perishable, and imported products create a greater risk for food spoilage and resultant food-borne illnesses due to the increase in time needed to transport these products from offshore farms to Hawaii consumers.

Without these local agricultural and aquaculture businesses, all beef, milk, pork, chicken, eggs, fish and seafood would have to be imported into the State, requiring up to ten days of shipping before being sold to consumers. An increased shipping time reduces the expected shelf life of these agricultural commodities.

The purpose of this Act is to create a livestock feed feasibility pilot project to assess the viability of and, to the extent feasible, begin growing and processing livestock feed within the State.

SECTION 2. The department of agriculture in collaboration with other research institutions shall implement a livestock feed feasibility pilot project. The project shall:

- (1) Explore the viability of producing and processing livestock feed within the State through scientific research; and
- (2) To the extent feasible, produce and process livestock feed on land as determined by the chairperson of the board of agriculture.

SECTION 3. (a) After the livestock feed feasibility pilot project begins operations, the department of agriculture shall assess the implementation of the pilot project pursuant to section 2 of this Act and submit a report to the legislature no later than December 31, 2014.

(b) The assessment by the department of agriculture shall consider the following information regarding livestock feed production and processing outcomes:

- (1) The inputs and infrastructure required for the processing of livestock feed;
- (2) Types of plants required for livestock feed use;
- (3) Start-up and yearly operational costs of a livestock feed facility;
- (4) Projected revenue stream of a livestock feed facility;
- (5) Parcels of land to be used for producing and processing livestock feed; and
- (6) Prospective markets for processed feed.

(c) The department of agriculture shall determine whether to continue, expand, or end the livestock feed feasibility pilot project based on the results of the department's assessment.

SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of \$250,000 or so much thereof as may be necessary for fiscal year 2012-2013 for the livestock feed feasibility pilot project; provided that a portion of the funds shall be used to serve as matching funds for a federal construction grant awarded to build a pilot-scale feed mill to assess the operational feasibility of a feed mill in the State.

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

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$250,000 or so much thereof as may be necessary for fiscal year 2012-2013 for the agricultural development division of the department of agriculture to reimburse qualified producers of milk, pork, eggs, poultry, and beef, for the cost of feed for beef cattle, dairy cows or goats, hogs, and poultry up to the lesser of \$200,000 or ten per cent of feed costs incurred; provided that 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.

The appropriation made for the purpose authorized under this section shall not lapse at the end of the fiscal year for which the appropriation is made; provided that any balance of the appropriation that is not encumbered as of June 30, 2014, 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. This Act shall take effect on July 1, 2012.

(Approved June 15, 2012.)