

DEPARTMENT OF AGRICULTURE REPORT



REPORT TO THE 2012 LEGISLATURE

Report Examining the Federal 2008 Farm Bill Amendment to the Richard B. Russell National School Lunch Act

HCR 167 (2011)

December 2011

A Report to the Twenty-Sixth Legislature
In Response to House Concurrent Resolution 167

House Concurrent Resolution No. 167, Session Laws of Hawai‘i 2011, requests the Department of Agriculture to convene a working group to examine the Federal 2008 Farm Bill amendment to The Richard B. Russell National School Lunch Act.

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Introduction and Background

This report is created in line with the requests outlined in House Concurrent Resolution 167 to touch upon the following areas: addressing an appropriate geographic preference percentage rate, identifying barriers and solutions that prevent the use of local produce by the DOE, assisting local farms to increase competitiveness for DOE contracts, and identifying successful DOE programs that partner with local farms. As such, the report is broken down into five major sections to address the requests outlined in the resolution. The sections are entitled: geographic preference percentage rate, barriers to using local produce, reduction of barriers, assist local farms, and successful partnerships. The working group was able to meet four times on October 18, 2011, November 2, 2011, December 8, 2011, and finally on December 19, 2011. At these meetings, the discussion revolving around House Concurrent Resolution 167, revealed that many of these same topics had been covered in a report done by the UH for the 2010 Legislative Session as per Senate Concurrent Resolution 121, S.D.1 H.D. 1 (Appendix 1).

The health and well-being of our children and youth are paramount in order to guarantee a bright future for our State. However, their health is being jeopardized by lifestyle and eating habits that they provide less nutrition and compromises future optimum development both physically and mentally. In the 2009 report done by the University of Hawai‘i (UH) to the 2010 Legislature

(Appendix 1), the National Survey of Children's Health for Hawai'i found that in Hawai'i, 17.3% of school-age children are overweight. Furthermore, one in every three children born in the year 2000 will develop diabetes. These staggering statistics are a result of poor eating habits as children are easily drawn to the convenience of processed and ready-made foods, rather than the fresh fruits and vegetables that are an integral part of a healthy diet.

Running parallel to this issue is the difficulty that local farmers are facing in making a successful living in Hawai'i. To some, the unique geographic location of Hawai'i represents an ideal place for agriculture: a year-round growing season. However, the costs required for the various inputs needed to have a successful farm have created additional barriers that farmers in other states do not have to deal with. Fertilizer is imported from the mainland, compounding the costs of fertilizer with the rising cost of transportation fuel. Increasing transportation costs also affect the cost of equipment and other inputs that are necessary to operate a farm. The higher cost of land, water and labor in Hawai'i also challenges the farmers' bottom lines. Like all businesses, a farm that is not profitable will not be able to survive, nor will the agricultural industry be able to attract new farmers if there is no prospect for financial gain.

The health of our children and the vitality of our local agricultural industry can be bolstered by facilitating farm-to-school initiatives and making more local fruits and vegetables available for consumption within schools. Integrating schools and local farms will expose students to the industry of agriculture and hopefully increase the awareness of their own eating habits. For farmers, increased demand for their products will help their bottom line and support their continued success. Through the working group discussion, it was also concluded that various state agencies could also benefit from a closer relationship with the agricultural industry. Correctional facilities and healthcare institutions should also be included in a broader discussion regarding purchase of locally grown produce by state agencies.

Geographic Preference Percentage Rate

The Federal 2008 Farm Bill Amendment to the Richard B. Russell National School Lunch Act (Appendix 2), allowed for State school food authorities (SFA) to give preference for the procurement of unprocessed locally grown and locally raised agricultural products. The implementation of this geographic preference was left up to the SFA to decide upon. In the case of the State of Hawai'i, the DOE is the lone SFA and has the ability to determine how to best implement this geographic preference.

Given the DOE's authority and leadership in this issue, a number of challenges arose in grappling with the determination of a correct rate for a geographic preference percentage rate. The first is the increased cost that such a rate could have on DOE purchases. While the geographic preference percentage rate may decrease the cost of the bid for the request for

proposal, if that local producer were to secure the contract, the DOE would be required to pay the original bid price. As explained by the DOE, a local producer may compete with a mainland producer for a bid. If the mainland producer were to make a bid of \$95 and the local producer made a bid of \$100 then the contract would likely go to the mainland producer who could provide the service more cheaply. However, if a geographic preference percentage rate of 10% were instituted, then the local producer's bid would drop from \$100 to \$90, and would increase the likelihood of being chosen over the mainland producer. But, if the local producer is chosen, the actual cost of the contract would be the \$100 initial bid. This could push up the cost of procuring fresh produce, according to DOE.

While the purchase price is the prominent consideration, an added benefit of purchasing locally grown produce is the freshness factor. Produce shipped from the U.S. Mainland may be at least a week or two old by the time it reaches Hawai'i, and even longer by the time it reaches the plate. The delay due to shipping has an adverse effect on the quality and shelf life of produce. It is logical that locally grown foods will last longer, and therefore decreasing spoilage and waste, an issue that may be factored into a cost benefit for locally sourced produce.

A second difficulty that was brought to light was the perceived inability for local farmers to meet the huge demand for produce that the DOE would require. The DOE is the 10th largest school system in the United States and meeting that need can be a daunting task even for a collaborative effort by local farmers. Additionally, the DOE would purchase the required quantities as needed during the school year, taking into account vacations and breaks for which producers would need to adjust planting, harvesting, and associated cultivation practices. Coordination between the DOE and the farmers will be a key factor to ensure success of this initiative.

Barriers to Using Local Produce

One impediment to purchasing local produce was identified as the repeal of certain exemptions within the State Procurement Code. One part of Act 175, Session Laws 2009, required that state agencies gather competitive bids before buying food and other agricultural products. The intent of the law was to support local growers, however the application turned out to be different. Information provided by the SPO suggests that the law has had the opposite effect. Local growers, unable to compete with the bulk prices of mainland competitors, have been unable to compete for contracts with state agencies due to the required process of the current procurement law.

Food safety concerns are another issue that has been raised. At this point in time, there are no uniform set of regulations mandated at the State or Federal level. Good Agricultural Practices (GAP) have been cited as guiding principles, but audits for these types of standards are still on a voluntary basis. The US Food and Drug Administration and the USDA are working together to

develop specific administrative rules this year to implement the Food Safety and Modernization Act (FSMA) and for uniform GAP practices by the respective agencies. Without these guidelines farmers are faced with a number of expensive third-party certification options that are not usually feasible given the relatively small volumes of agricultural commodities that local farmers produce in comparison with large-scale mainland operations.

The costs of processing and moving agricultural commodities to market are another barrier faced by local farmers. The rising price of fuel results in increasing costs to farmers who must transport their products to market. In particular, neighbor-island farmers face the burden of having to ship their products to O`ahu to address the market demand from the largest population center in the State where the majority of the market share is. Beyond transportation, the necessary cost of processing can be too steep for an individual farmer to handle.

A major barrier for the DOE to purchase local produce is the lack of quantities of produce needed to meet demand. DOE is the 10th largest school system in the entire nation educating 177,871 students in 289 schools. This equates to the DOE School Food Services serving 24 million meals annually. The majority of local farmers are unable to provide the bulk that is required by the DOE in order to properly serve all the students in Hawai`i. As a result, DOE is often forced to contract with mainland growers who are able to produce on the scale that the DOE requires.

One final concern, was the mismatch between the growing season and the school schedule. Traditionally, schools are out of session during the summer months, the peak harvest season for the majority of the local growers. As a result, the DOE's needs for fresh produce often do not coincide with the harvest time when fresh produce is most abundant adding to the difficulty facing local growers in meeting the DOE's need.

Reduction of Barriers

One recommendation to reduce some of the barriers challenging local growers is by amending the State Procurement Code. By making exemptions for locally grown and produced agricultural commodities, it will make it easier for state agencies to procure local products rather than having to go through the procurement process that often puts local growers at a disadvantage.

Similarly, strong consideration should be directed at legislation to amend HRS 226, the Hawai`i State Planning Act with the intent to codify a buy local policy. Codifying the intent to support purchase of local agricultural commodities within the State Planning Act will demonstrate the seriousness with which the State believes in improving our food sustainability and self-sufficiency.

Increasing information and access to local farmers for available grant opportunities, programs, and subsidies can help to offset the costs of production in Hawai'i. The USDA has a number of such opportunities, including a transportation and farm input subsidy that can help offset some of those costs. The USDA Farm Service Agency administers the Reimbursement of Transportation Cost Payment Program (frequently referred to as the Geographically Disadvantaged Farmers and Rancher Program) that reimbursed \$873,000 to farmers and ranchers in Hawai'i and the Pacific Basin region for FY10 with expectations of an increase for FY11 (Appendix 4).

Furthermore, the DOE is a recipient of funds from the Fresh Fruits and Vegetable Program (FFVP) that is meant to be used for fresh produce. For the 2011-2012 School Year, about \$1.9 million has been allocated for Hawai'i (Appendix 3). Farmers who are aware of this opportunity would be able to take advantage and hopefully increase their own profits. There are already some successes in regard to the FFVP. Ham Produce has been able to bring fresh produce into local schools and works to bring in produce that students would normally not see on the menu including: local sweet corn, local tangerines, and Ka'u oranges. Additionally, the number of schools that are participating in FFVP have increased to 59 schools for the 2011-2012 school year¹ highlighting the opportunity available to farmers and wholesalers to bring products to classrooms.

State and Federal agencies should work together to establish guidelines and policies to address the provisions of the Food Safety Modernization Act adopted as Federal law in January of 2011. Such guidelines and policies should consider all food safety aspects from "farm to table" including the processing of foods. Similarly, specific guidelines need to be developed and applied for all agricultural programs in the DOE including school gardens.

Finally, encouraging individual farmers to band together and form cooperatives can provide a practical means to address the costs related to processing produce. This idea is more fully explained in the next section addressing assistance to local farms.

Assist Local Farms

When addressing the Farm-to-School concept, before broaching the subject of local farms and DOE procurement, it is important to note the DOE does not purchase directly from local farmers but instead contracts with local wholesalers. This is due to the quantity demanded by the DOE for products such that wholesalers have been the only way that the DOE can meet their needs. Wholesalers are vital in determining how best to provide local products into schools.

Through the discussion of the Farm-to-School concept, a broader picture took shape identifying other governmental agencies besides the DOE with the potential to increase the purchase of

¹ Department of Education, School Food Service

locally grown produce. Correctional facilities, healthcare institutions, and the UH system also recognize the need for locally grown produce that could be satisfied by local growers. Finding ways to facilitate this connection between farmers and other governmental agencies would be another avenue to increase the purchase of local agricultural commodities.

Futhermore, as discussed in the previous section, legislation can be an avenue through which assistance can be brought to farmers.

Increasing the dissemination of information to local farmers can help them take better advantage of existing opportunities that are available. The Laulima Center under the Kohala Center on Hawai`i Island is a program focused on helping local farmers form cooperatives and share the cost of agricultural infrastructure and other business costs in order to increase the viability of their individual farming operations. Providing technical assistance as well as general education, the Laulima Center is an invaluable resource that farmers can access to create cooperatives that can ultimately reduce their various costs by sharing these costs across the members of the cooperative. Also, keeping farmers informed of the available State, Federal and private agency grants and subsidies can help to support their operations and increase their bottom line. While the grants and subsidies are subject to change, there have been subsidies that help offset transportation and input costs that are easy to apply for and can be a boon to increasing local profit margins. There are also programs that provide assistance to underprivileged areas and to minority and disadvantaged farmers, such as those who may face language barriers.

Successful Partnerships

While the DOE does not partner directly with individual farmers, there are a number of programs that help to integrate agriculture into schools and often into school curriculum as well. The Kokua Foundation has created the ‘AINA IS program which stands for Actively Integrating Nutrition and Agriculture In Schools. ‘AINA IS has successfully partnered with 12 O`ahu elementary schools with the intent of integrating their six component program: nutrition education, garden-based learning, agricultural literacy, healthy school lunch, waste reduction and management, and family and community outreach. ‘AINA IS has found great success in the schools it has partnered with and can serve as an excellent model for other programs looking to work with DOE schools.

School gardens and agricultural education programs are proliferating throughout the state. On the island of O`ahu alone, there are over 80 schools at the elementary, middle and high school level with some type of garden program². Looking strictly at the Hawai`i high schools, nearly ¾ of public schools in Hawai`i have a Natural Resources Pathway curriculum, as part of the Career and Technical Education within the DOE, which emphasizes the interconnectedness of nature

² Kokua Hawaii Foundation

and society. Twenty-three public schools go further by fostering full agricultural programs³. Integrating agriculture in to the public school curriculum is occurring and can serve as a way to increase the connection between society and the food we eat.

Concluding Remarks

One suggestion for further discussion would be to include local wholesalers in the conversation. With the high demand for goods and products that the DOE has, wholesalers play a critical role in deciding where the supply for that demand originates. Understanding the barriers and challenges that wholesalers face in procuring local produce can broaden the discussion and provide another avenue of potential action.

There is no question that bringing local agricultural products in to our schools is a win-win situation. Our children will have access to fresher, healthier meals and snacks and our local growers will have a steady market for their own products rather than having to look to other commercial markets locally or abroad. Through the course of discussion it became clear that buying local produce did not have to be limited to the DOE. Opportunities within other governmental entities, particularly within correctional facilities, healthcare institutions and the UH system, seemed to be areas where the purchase of locally grown produce can be implemented in the short-term. A positive recommendation would be to have discussions with the HDOA, the PSD, the DOH, and UH to identify ways to increase the availability of locally grown produce for their respective institutions.

With an increased demand for local produce, Hawai'i can move towards its goals of increasing food self-sufficiency, reducing reliance on imported food and re-establishing agriculture as an important economic factor. This will require continued collaboration and discussion among the previously identified state agencies and representatives from the agriculture industry.

³ Future Farmers of America