

**REPORT TO THE TWENTY-SEVENTH LEGISLATURE  
2014 REGULAR SESSION  
STATE OF HAWAII**

**ANNUAL REPORT ON THE  
AGRICULTURAL DEVELOPMENT AND FOOD SECURITY SPECIAL FUND**

**ACT 73, SLH 2010**

**PREPARED BY:**

**HAWAII DEPARTMENT OF AGRICULTURE**

**December 2013**

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## SECTION I

### Background

#### A. Act 73, 2010 Session Laws of Hawaii

In an effort to address Hawaii's over reliance on imported food and energy and the vulnerability that this creates in energy and food security, as well as negative impacts on biosecurity and our economy, the Hawaii State Legislature approved HB 2421, H.D. 2, S.D. 2, C.D. 1, which was enacted as Act 73, 2010 SLH. Act 73 provided for the creation of an energy and food security tax in the amount of \$1.05 which is to be levied "on each barrel or fractional part of a barrel of imported petroleum product sold by a distributor to a retailer or end user". Fifteen cents of the tax is to be deposited into a new Agriculture Development and Food Security special fund; fifteen cents is to be deposited into the new Energy Security special fund; ten cents is to be deposited into the new Energy Systems Development special fund; five cents is to be deposited into the existing Environmental Response revolving fund; and sixty cents is to be deposited into the general fund. In addition to the establishment of the new special funds, Act 73 also created the Hawaii Economic Development Task Force whose purpose is to "facilitate the accelerated adoption and completion of renewable-energy projects, energy-efficiency programs, agricultural infrastructure and development, and other measures to meet the purposes of this Act".

#### B. Agricultural Development and Food Security Special Fund

Part IV, Section 7 describes the Agricultural Development and Food Security Special Fund and the responsibilities of the Hawaii Department of Agriculture (HDOA).

"§141- Agricultural development and food security special fund; establishment. (a) there is established within the state treasury the agricultural development and food security special fund.

(b) The following moneys shall be deposited into the special fund:

(1) The portion of the environmental response, energy, and food security tax specified under section 243-3.5;

(2) Any appropriation by the legislature into the special fund;

(3) Any grant or donation made to the special fund; and

(4) Any interest earned on the balance of the special fund.

(c) Subject to legislative appropriation, moneys in the special fund may be expended for the following purposes:

(1) The awarding of grants to farmers for agricultural production or processing activity;

(2) The acquisition of real property for agricultural production or processing activity;

(3) The improvement of real property, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity;

(4) The purchase of equipment necessary for agricultural production or processing activity;

(5) The conduct of research on and testing of agricultural products and markets;

(6) The funding of agricultural inspector positions within the department of agriculture;

(7) The promotion and marketing of agricultural products grown or raised in the state; and

(8) Any other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state.

**C. Role of the Hawaii Department of Agriculture**

(d) The department of agriculture shall submit a report to the legislature no later than twenty days prior to the convening of each regular session on the status and progress of existing programs and activities and the status of new programs and activities funded under the agricultural development and food security special fund. The report shall also include:

- (1) The spending plan of the agricultural development and food security special fund;
- (2) All expenditures of agricultural development and food security special fund moneys;
- (3) The targeted markets of the expenditures, including the reason for selecting those markets;
- (4) The persons to be served using the expenditures; and
- (5) The specific objectives of the expenditures, including measurable outcomes.

This report includes a description of the status and progress made in implementing Act 73 as of November 30, 2011 and a plan for new programs and activities proposed through the period ending June 30, 2015.

## SECTION II

### Description of Funded Projects and Activities in FY13

Section II contains descriptions of projects and activities. The suggestions are organized under the allowable uses found in HRS Chapter 141 establishing the agricultural development and food security special fund. They are not prioritized.

#### **A. Grants to farmers for agricultural production or processing activity**

Developing value-added products creates a revenue source for farmers by making use of crops that are not/could not be sold fresh. A project to facilitate the design, planning and permitting of an agricultural post-harvest /value-added processing facility was funded by the Agricultural Development and Food Security Special Fund for agricultural producers in Hawaii County. The findings of the project will be shared with all Counties and serve as a model for future projects statewide. Priority was given to projects that promoted the diversity of local crops, including fresh fruits and vegetables, proteins and starches and demonstrated knowledge of effectively marketing these diverse local crops to the agriculture distribution channels.

#### **B. The improvement of real property, dams, reservoirs, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity, including investigative studies to identify and assess necessary improvements to dams, reservoirs, irrigations systems, and transportation networks.**

Water is the lifeblood of agriculture. Efficient and reliable irrigation systems transport this resource to where it can be effectively used best. These systems are called upon to provide billions of gallons of agricultural water every year. Many of these systems were originally constructed at the turn of the twentieth century by sugarcane plantations. The decline of the plantations has led to the rapid deterioration of the systems and in order for them to remain effective, they must be maintained daily. This is a time and labor intensive process that does not have automated alternatives. The funds from the Agricultural Development and Food Security Special Fund provided additional irrigation maintenance workers and operating funds while keeping water prices affordable for agricultural users.

#### **C. The funding of agricultural inspector positions within the department of agriculture.**

The lack of vital inspector positions have meant backlogs in inspections that have in turn caused difficulties for those in the agricultural community who are trying to get their products to market. Furthermore, the lack of key support staff have meant that remaining staff have had to take on more responsibilities in addition to their own daily tasks. This means that inspectors and field staff are sometimes forced to do requisite paperwork that is taking them away from their other required duties. Hiring more inspectors and freeing up key staff by hiring needed support personnel is vital in order to increase agricultural production. Funds from the special fund have gone towards hiring commodities inspectors and key planners and support staff.

#### **D. The promotion and marketing of agricultural products grown or raised in the State**

Increasing access to markets both locally and abroad is vital in creating greater economic opportunities for our local farmers to sell their products and remain economically viable. The Agricultural Development Division has initiated a number of projects aimed at increasing demand for Hawaii agricultural products both here and internationally.

The EAT LOCAL campaign was promoted over Oceanic Time Warner Cable (OTWC) channels via :30 second spots that were shown during University of Hawaii and local High School sports telecasts as well as during OTWC programs. Funds were awarded via the request for proposal process with priority given to projects that would reach local consumers and feature Hawaii farmers and their crops/products.

The Philadelphia Flower Show is recognized as the world's largest indoor flower show with international participation and exposure to the global market. Funding provided the opportunity for vendors from across the state to attend the event and showcase their flowers to an international audience.

An inbound trade mission bringing Japanese food service buyers to Hawaii Island and Oahu to meet with farmers and producers was funded in part by the Agricultural Development and Food Security Special Fund. The Agricultural Trade Office in Japan assisted with recruiting food service buyers representing well-known restaurant chains and resorts. The trade mission resulted in sales that have continued into 2014.

Supply chain logistics workshops conducted in the four Counties introduced Hawaii producers to the service providers of the agriculture supply chain. The workshops were funded to provide transportation options to the Hawaii companies and provided a chance to meet one-on-one with the personnel located in the Counties.

#### **E. Other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the State.**

With the passage of the Food Safety Modernization Act, the states are encouraged to establish intra-state criteria for safe production, distribution, and handling of food. Buyers of agricultural commodities are also requiring their suppliers to follow good agricultural practice guidelines. Funds from the special fund provided specialists in the Department to oversee food safety activities such as food safety training and audits. Funds have also been used by the University of Hawaii - College of Tropical Agriculture and Human Resources to conduct research on food safety coaching and education.

Biosecurity issues can have far reaching and often devastating effects on local agriculture. Fireweed is one example of an agricultural pest; a weed that if ingested by a cow can cause severe

sickness and death. Other examples include the banana aphid and coffee berry borer. The Plant Pest Control Branch uses funding from the Agricultural Development and Food Security Special fund to insure that any outbreaks of agricultural pests are controlled and eradicated if possible. Extensive research is conducted to find new and more effective ways to control agricultural pests including identifying new biocontrol methods. One such success was the identification and release of the secusio moth in collaboration with local ranchers on Hawaii and Maui for the control of fireweed.

The high cost of imported feed is one of the largest expenses for our local livestock producers. The legislature recognized this and passed Act 122 during the 2012 Legislative Session and provided monies to build a pilot-scale feed mill for the purpose providing a source of local feed for livestock producers. Additional monies were put forward by the Agricultural Development and Food Security Special Fund to serve as a match to release \$3.25m in federal and other monies for the development of a proposed feed mill on Hawaii Island to be built by Oceanic Institute. This feed mill would be a starting point from which to determine the feasibility of a locally-sourced livestock feed.

### SECTION III

#### Proposed Projects and Activities for FY14

##### **A. Grants to farmers for agricultural production or processing activity**

Outreach to all counties to inform agricultural producers about the county, state, federal, foundation grants they qualify for will be conducted and include resources to help apply for the funding.

##### **B. The improvement of real property, dams, reservoirs, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity, including investigative studies to identify and assess necessary improvements to dams, reservoirs, irrigations systems, and transportation networks.**

Water is the lifeblood of agriculture. Efficient and reliable irrigation systems transport this resource to where it can be effectively used best. These systems are called upon to provide billions of gallons of agricultural water every year. Many of these systems were originally constructed at the turn of the twentieth century by sugarcane plantations. The decline of the plantations has led to the rapid deterioration of the systems and in order for them to remain effective, they must be maintained daily. This is a time and labor intensive process that does not have automated alternatives. The funds from the Agricultural Development and Food Security Special Fund will provide for additional irrigation maintenance workers and operating funds while keeping water prices affordable for agricultural users.

##### **C. The conduct of research on and testing of agricultural products and markets.**

HALAL and KOSHER certification speakers informed Hawaii producers of the certification process and opportunities for products displaying the symbols of certification. EUROMONITOR, a consumer research company, presented data showing the Asia-Pacific having the largest growth in food

consumption through 2020. These projects were funded by the Agricultural Development and Food Security Special Fund.

Aquaponics is a growing industry in Hawaii that can potentially provide another source of protein and fresh commodities for our local markets and increase our food security. HDOA will provide funding for research in to the viability of commercial grade aquaponics facilities in Hawaii and whether the market is able to sustain a profitable aquaponics industry.

**D. The funding of agricultural inspector positions within the department of agriculture.**

The lack of vital inspector positions have meant backlogs in inspections that have in turn caused difficulties for those in the agricultural community who are trying to get their products to market. Furthermore, the lack of key support staff have meant that remaining staff have had to take on more responsibilities in addition to their own daily tasks. This means that inspectors and field staff are sometimes forced to do requisite paperwork that is taking them away from their other required duties. Hiring more inspectors and freeing up key staff by hiring needed support personnel is vital in order to increase agricultural production. Funds from the special fund will go towards hiring commodities inspectors and key planners and support staff.

Inspectors are not only charged with overseeing agricultural commodities, but they are also tasked with ensuring that all scales of measurement statewide are calibrated correctly. The Measurement Standards Branch is charged with the express purpose of maintaining state measurement standards and governing the use and application of measurement standards, measuring devices, and equitable transactions. Without the accuracy of measurement devices inefficiencies would occur that would potentially decrease the processing and production of agricultural commodities. The Measurement Standards Branch would use funds from the special fund to ensure they can carry out their mandated duties.

**E. The promotion and marketing of agricultural products grown or raised in the State**

The EAT LOCAL campaign will be supported by a project awarded to the University of Hawaii that includes 30 second TV spots that will align with locally produced foods promoted in the grocery stores and restaurants and will include sales data expected to show increased sales of the promoted items. Funds were awarded via the request for proposal process with priority given to projects that would reach local consumers and feature Hawaii farmers and their crops/products.

"GRINDS: The story of local food in Hawaii", a production by the Hawaii Theatre for Youth and viewed by 20,000 students on Oahu, will tour the neighbor island schools with funds provided by the Agricultural Development and Food Security Special Fund. The production identifies local crops and will be supported by printed materials provided to teachers for pre- and post-showing lessons.

FOODEX 2014 will include three booths featuring over fifteen Hawaii fresh and value-added products currently available to Japanese consumers. The distributors will be on hand to answer



questions from the Asia region providing opportunities for Hawaii products to be sold in Vietnam, Malaysia, Philippines, Singapore and other regional markets.

The "Buy Local, It Matters" (BLIM) campaign to feature farmers and their crops/products in posters and rack cards will have completed the promotion for all counties with the 2014 project for Kauai and Maui Counties. Criteria for selecting the farmers was that the product be available to consumers statewide. A papaya project will be part of the BLIM campaign to encourage local consumers to choose papayas instead of imported fruits.

The Seal of Quality (SOQ) logo identifies genuine Hawaii-grown and Hawaii-made products and will be promoted to local, domestic and international consumers with the goal of increasing the number of companies using the SOQ seal. This campaign was awarded to a project using the HANA HOU magazine as the vehicle for promotion.

A project to create a local plate lunch that will be available via lunch truck, restaurants or in-store locations will promote using local proteins, fruits, vegetables and starches will be awarded via the request for proposal process. Criteria to require proposals not include plate lunches with rice, spam or mac salad.

**F. Other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the State.**

Access to a certified slaughterhouse facility is often a limiting factor for our local livestock producers, particularly those situated in rural communities. However, the cost of building a certified slaughter facility can be cost prohibitive to any single rancher or livestock producer. HDOA is looking to mobile slaughterhouses as a potential low-cost solution to this problem. Mobile slaughterhouses would have the added advantage of being able to move to the areas where a slaughter facility is needed and further increase the ability for livestock producers to move their product to market.

Building up the agricultural workforce is an essential component to growing agricultural production in Hawaii. With the proposed reopening of the Kulani Correctional Facility on Hawaii in 2014, there is an opportunity for collaboration with the Department of Public Safety and the Department of Labor and Industrial Relations to create training opportunities for those inmates ready to transition back into the community. In the past, training programs at Kulani Correctional Facility had included agricultural skill building including animal husbandry and horticultural classes. HDOA is proposing the creation of a holistic agricultural plan to provide agricultural training that would lead to an increase of the agricultural workforce.

**SECTION IV**

**Expenditures from the Agricultural Development and Food Security Special Fund**

**AGRICULTURAL DEVELOPMENT AND FOOD SECURITY SPECIAL FUND**

	Actual	Projected			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>BEGINNING FUND BALANCE</b>	<b>5,848,961</b>	<b>7,200,837</b>	<b>6,748,660</b>	<b>7,046,483</b>	<b>7,344,306</b>
<b>REVENUES</b>					
1. Environmental Response, Energy, and Food Security Tax	3,884,268	3,700,000	3,700,000	3,700,000	3,700,000
2. Investment Pool Interest	8,589	13,000	13,000	13,000	13,000
<b>TOTAL REVENUES</b>	<b>3,892,857</b>	<b>3,713,000</b>	<b>3,713,000</b>	<b>3,713,000</b>	<b>3,713,000</b>
<b>EXPENDITURES</b>					
<b>AGR 122 PLANT PEST AND DISEASE CONTROL</b>					
Biosecurity Projects			1,800,000	1,800,000	1,800,000
Biocontrol projects and research	934,120	621,000			
Oceanic Institute- Livestock Feed Feasibility Project	200,000				
<b>AGR 141 AGRICULTURAL RESOURCE MANAGEMENT</b>					
Irrigation Personnel and Program Operations	509,369	800,000	800,000	800,000	800,000
<b>AGR 151 QUALITY AND PRICE ASSURANCE</b>					
Commodities Inspectors/Food Safety Coordinator	-	169,859	169,859	169,859	169,859
<b>AGR 153 AQUACULTURAL DEVELOPMENT</b>					
Aquaponics project w/ Army		621,000			

Actual	Projected			
FY 2013	FY 2014	FY 2015	FY 2016	FY 2017

**AGR 161 AGRIBUSINESS DEVELOPMENT**

UH-Food Security Research (Sec. 6, Act 164, 2011) 500,000

**AGR 171 AGRICULTURAL DEVELOPMENT**

Promotion and marketing of local ag products 302,000 430,000

Research on products and markets 50,000

RFP/Grant Info Sessions in all Counties 5,000

Mobile Slaughterhouse 208,000

**AGR 192 GENERAL ADMINISTRATION FOR AGRICULTURE**

Planner/Neighbor Island Support 95,492 310,318 310,318 310,318 310,318

Kulani Agricultural Complex 115,000

**AGR 812 MEASUREMENT STANDARDS**

Measurement Standards Inspectors/Branch Mgr - 335,000 335,000 335,000 335,000

**TOTAL EXPENDITURES 2,540,981 4,165,177 3,415,177 3,415,177 3,415,177**

**BALANCE 7,200,837 6,748,660 7,046,483 7,344,306 7,642,129**