

POULTRY

Appendix D

POULTRY TASK FORCE REPORT

Halina M. Zaleski

Coordinator

The legislature this session passed House and Senate Concurrent Resolutions requesting the Department of Agriculture, the College of Tropical Agriculture and Human Resources, and the Hawaii Farm Bureau Federation to establish a task force to develop long-term solutions to effectively protect the livestock industry in Hawaii.

The first step was to convene a meeting of the poultry industry on July 26, 2007, to identify issues, problems and opportunities. Industry strengths and weaknesses were reviewed. The number of times each was mentioned provided an indicator of relative importance. At the end of the meeting a committee was formed to summarize ideas and develop a plan.

Attendees:

Poultry Industry: Beth Asagi, Lisa Asagi, Maxie Asagi, Sharon Cheape, David Davenport, Roy Kaneshiro, Suzanne Peterson, Phyllis Shimabukuro-Geiser

Feed Supplier: Jeff Peterson

Hawaii Farm Bureau Federation: Dean Okimoto

Department of Agriculture: James Foppoli, Jeri Kahana, Matthew Loke, Edith Terwey

College of Tropical Agriculture and Human Resources: Lincoln Ching, Michael DuPonte, Glen Fukumoto, Halina M. Zaleski

Committee members:

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The Poultry Committee held extensive discussions via email and held committee meetings on August 30, September 20 and October 4, 2007. This was followed by an industry meeting on November 2, 2007.

POULTRY INDUSTRY STATUS

All poultry farms are family farms.

Median farm size: 5 acres

Number of commercial egg farms in 2007: 5 (4 on Oahu and 1 on Hawaii Island)

Number of commercial broiler farms in 2007: 1 on Kauai

Number of layers in 2006: 440,000 birds, down from 588,000 in 2001 (HASS)

Egg production in 2006: 96,900,000 eggs, down from 129,400,000 in 2001 (HASS)

Market share for local eggs: 35%

STRENGTHS

1. Local producers are close to markets and can provide fresher eggs and broiler meat and on farm sales.
2. Markets are strong. A variety of eggs are offered for smaller niche markets. Producers have a loyal consumer base.
3. Producers work together and get along well. Industry organizations and committees are active. There is good communication and mutual respect.
4. Hawaii produces a better quality product.
5. Our farms are family farms. Producers are community minded, and communities and consumers have more interest in small-scale farms. Producers have experience.
6. Compost and manure provide an excellent source of nutrients for crop production.

WEAKNESSES

1. Cost of labor is high and farmers compete with other employers.
2. There are a small number of producers. Starting new farms is very difficult and results in a heavy debt load. Producers are aging and have few successors.
3. Better approaches are needed to waste management and environmental pollution control.
4. The cost of doing business is high. Areas of particular concern are:
 - High imported feed costs
 - High transportation and shipping costs
 - Taxes (property)
 - Fuel
 - Regulatory
5. Land availability for poultry production is limited because of land re-zoning, loss of agricultural land, and urban encroachment.
6. Food safety must be safe-guarded.
7. Imports from the mainland are the primary competition. The mainland dumps cheap eggs into our market. Competition with the mainland drives costs up.
8. The industry needs more government involvement in the form of help or subsidies. There is a lack of state resources to support the industry. Poultry is low on the livestock pecking order.

9. Food security depends on having local supplies rather than depending on mainland supplies.
10. Except on Kauai, there is no poultry slaughter facility for broilers or spent hens.
11. Veterinary services are limited because there are no veterinarians specializing in poultry. An extension specialist/veterinarian in CTAHR could help the industry.
12. Facilities are old.
13. Hawaii's small family farms have limited economies of scale.
14. Consumers need to be educated about the value of local eggs. Marketing/branding for our pocket market needs to be improved.
15. The industry depends on a consistent supply of replacement pullets.

ISSUES

1. The Hawaii Egg Producers Association should participate in Island fresh promotions and advertising. The industry needs to change the image of local eggs from a conventional commodity to a premium product. Local eggs need to be distinguished from the mainland eggs that are our competition.
2. The industry should work together to develop niche markets. The industry should exploit/explore special branding, for example of pasture birds that are high in omega 3.
3. Better communication between government and industry is needed. Significant effort is being put into industry assessment, and in meeting to discuss what is happening. The industry needs to educate the state legislature and communicate with the Hawaii Department of Agriculture. Industry should identify a leader who will serve as a contact.
4. In the current cost environment, the industry needs government help to stay in business. Government should support local production by providing incentives or subsidies for feed and transportation costs, fuel, equipment, and regulatory mandates. Government should recognize the importance of livestock.
5. Government and industry should work together to address the high shipping costs for agricultural products. In order to address transport costs, a Feed Committee should be set up after the Task Force reports are submitted. This Committee should include representatives from feed suppliers, all livestock industries, other agencies, and government. Shipping costs to be addressed include not only freight rates, but also other charges such as the fuel surcharge and terminal handling rates. Currently the PUC regulates only freight rates but not additional charges.

6. Industry needs to be able to provide data on cost of production. Financial data will be submitted by producers participating in the feed subsidy program and could be used for a cost of production study. Important data include feed costs as percent of total cost, production of eggs/chickens per ton of feed, and transportation volume. It would be useful to graph changes in feed and transport cost over time.
7. Constraints on production include slaughter and labor issues. The lack of a poultry slaughter facility, other than on Kauai, has forced several producers to decrease their flock size, and thus decrease their production and market share. The low unemployment rate has also had a negative impact on production.
8. Industry is suffering, but producers must make sure it is viable. One change in business strategy is to focus more on marketing. Producers should look for opportunities for more efficient production and cost control. To be able to bring in the next generation, farms have to be profitable.
9. Industry unity and producer participation are important. Producers need to come together and support each other.
10. An extension specialist/veterinarian in CTAHR is needed to help the industry. Resources are needed for agricultural research.
11. Development of and investment in production of local feeds should be encouraged.
12. Government should look into the possibility of regulating imports. Imports not only compete with local production but can also create significant health risks to local birds.
13. Egg stamping requirements for mainland eggs should be enforced by the Hawaii Department of Agriculture. Recently observed problems include the "US" stamp either smeared beyond recognition (Safeway Eggsland's Best) and looking like double pink spots; or the "US" stamped on the side of the egg (Foodland/Sack N Save). The stamp should be prominent and on the top or large end of the egg.

PRIORITIES AND GOALS

Short term priorities

1. Internal (industry)
 - Marketing (promote buying "Island Fresh")
 - Educate legislators about importance of agriculture
 - Industry should provide public education on the value of local agriculture and on the goodness of local eggs/poultry
2. External
 - Feed subsidy
 - Federal assistance for disadvantaged states via our congressional

delegation for special discounted transportation rates and discounted fuel surcharge for feed relating to food production

Long term goals

1. No further loss of production and producers
2. A changed livestock industry that can compete profitably in the free market

INDUSTRY INITIATIVES

Because public education was identified as a priority for industry action, the Poultry Committee developed a plan for action in this area. Funding sources for public education were identified, including Grants-in-Aid and Market Development Grants, and proposals were developed and submitted.

Product promotion should be built on existing programs, including Island Fresh, Seal of Quality, and Buy Fresh, Buy Local. Public education should tie local production to food security. Marketing efforts should promote the higher quality and freshness of local eggs. Market analysis would help to create effective promotions.

Promotion would be best coordinated with other groups such as the DOA Seal of Quality program, Farm Bureau, other livestock industries. It would be a good idea to organize an inter-industry committee to conduct joint promotion. The support of the Hawaii Farm Bureau would be key to financing a larger coordinated promotion such as series of television commercials, as well as other related marketing material. such as bumper stickers and magnets.

It would be in the best interest of the local egg farmers and other farmers to ensure a broad, very visible, cohesive public education project. This is a necessary step to create the level of demand for local eggs, local produce, that is vitally needed to strengthen the egg and other agricultural businesses in Hawaii. We also feel that a cohesive marketing effort like this will open up other possibilities for local producers: approaching supermarkets for more prominent shelf space for local eggs and produce; awarding local restaurants with distinctive window stickers or plaques identifying them as serving local produce -- as partners in the "Buy Fresh, Buy Local" effort.

Being able to measure the success of advertising is important. The ultimate goal is an increase in revenue by obtaining a higher egg price without loss of market share. A consumer poll can provide a short term measure of effectiveness. We need to look at a long term program because we may not see an immediate impact from the first season of promotion.

Venues discussed included television advertising, getting our story into the media, brochures, and development of an industry web site.

Advertising on television could include public service announcements or the KHON2 Image Plus Program. Using a high profile chef could be an effective way of promoting our product on television. A grandparent/grandchild conversation could be used to highlight food security

issues. Commercials produced with the Image Plus program specially designed for local industries and aired locally throughout 2008 would cost \$40,000 for a single commercial or \$51,000 with several commercials.

Poultry should look for opportunities for news stories. Examples might include when the next generation takes over a farm, the Task Force report, and the Japanese from Honolulu that drive to Wahiawa to buy super jumbo eggs. The industry should have a spokesperson ready and have file photos (product, people, place) available.

Brochures could be produced to use at trade shows, airport, chefs, supermarkets. Local product cookbooks already exist.

Agricultural tourism opportunities were discussed. Some Japanese drive to Wahiawa for super jumbo eggs, however, the supply cannot be guaranteed. Agricultural tourism raises biosecurity issues, so it would best be done at a special location. One possibility would be a Culinary Event at Kapiolani Community College that would promote chickens and eggs and also get young chefs interested. Another possibility might be a Pearl City Urban Garden Center Egg Day. Stores such as Macy's may host a demonstration.

The Poultry Task Force has developed and submitted two proposals to Hawaii Department of Agriculture. The first proposal is for the development of a web site aimed at educating the public on the value of buying locally grown eggs and broilers, and supporting local agriculture. The second proposal is for the development of a new distribution system directed at enabling farmers to reconfigure distribution practices and reposition their products, with the goal of accessing newer and specialized markets in the state of Hawaii.

RECOMMENDATIONS

1. The industry should create a focused and cohesive plan to educate the public and legislature. The marketing emphasis should be on the freshness and quality of locally produced eggs compared to mainland eggs. Educating the legislature should focus on the importance of agriculture as a whole with an emphasis on eggs/poultry/animals. We need the support of both government and the public for the industry to survive. We need to find out how serious government is on becoming 'Self Sufficient' in its food supply issues. Suggested methods include television commercials and a Hawaii Egg web page.
2. The industry should explore how to tap into Federal aid with subsidies regarding transportation, fuel surcharge and related charges. Getting Federal Aid, subsidies, and /or special rates on the transportation of feed for food purposes is important in order for the industry to survive. This is a big cost that is incurred by Hawaii farmers and not mainland farmers.
2. The Poultry Task Force, other livestock industries, Hawaii Department of Agriculture, House and Senate Committees responsible for transportation, and members of Hawaii's congressional team should meet with shippers to see whether shipping costs can be reduced or subsidized. The poultry industry should be prepared to present data on our needs and numbers.

4. Waste management programs and rules should be based on economic feasibility. Partial or incremental improvements should be allowed, because the current all or none approach most commonly results in no improvements or farm closures. A broader range of best management practices should be approved, including collection of waste without land application. Flexibility by the Natural Resources Conservation Service (NRCS) and other agencies is crucial, because approaches developed for mainland farms may not be appropriate in Hawaii. The Poultry Task Force, other livestock industries, and the Hawaii Department of Agriculture should meet with NRCS and the Hawaii Department of Health Wastewater Branch to develop adjustments to make programs and rules workable.

5. The Asagi Hatchery is currently constrained by their supplier, Hy-Line International, from supplying fertile eggs to be hatched into egg layer birds to local egg producers. Industry and Hawaii DOA should explore the possibility of lifting this restriction so that Hawaii egg producers, especially small producers, have the option of obtaining chicks from Asagi or Hy-Line.