

Act 194, A Bill Relating to Agricultural Marketing

Annual Report Period: January 2005 through June 2005 (Final Report)

Re: AGRICULTURAL MARKETING IN HAWAII

The Agribusiness Development Corporation (ADC), in response to Act 194, Session Laws Hawaii (SLH) 2002, submits its response below. Act 194 terminated on June 30, 2005; this document represents the final report for the Act.

The Twenty-First Legislature requested that the ADC assist existing agricultural cooperatives on the island of Maui to develop a marketing plan and strategy that fully represents all segments of the diversified agriculture sector on Maui. ADC shall provide its knowledge and resources, as well as solicit assistance from successful local agricultural entrepreneurs and other sources to develop a marketing plan and strategy and submit an annual report to the legislature on its findings, recommendations, and progress. As reported previously, the ADC board of directors decided to expand the project from Maui alone to include Hawaii, Kauai and Oahu and utilize the expertise of the University of Hawaii's College of Tropical Agriculture and Human Resources (CTAHR) by executing a Memorandum of Agreement (MOA).

Through this partnership, ADC and CTAHR have developed projects that directly and indirectly address industry needs, the latter by CTAHR leveraging ADC support. Although Act 194 has terminated, the activities described below are ongoing and will continue to be supported by the MOA.

Hawaii

Tea (*Camellia sinensis*) industry in the state. Major thrusts of the larger project include creating a demonstration farm, a pilot processing plant (dedicated in September 2005), and guidelines for industry in production and processing. A related request to ADC was for assistance in starting up the processing plant, for product quality control, and for increasing plant material. Growers identified a major bottleneck to industry expansion as the lack of plants. ADC moderated and facilitated an agreement between CTAHR and the growers' association (Hawaii Tea Society) for CTAHR to produce tea cuttings for the industry.

Activities specific to the MOA include developing an analysis template and continuing to collect cost information from the demonstration farm and processing plant. These will help producers evaluate their individual situations, and will be used, in part, for the larger project to evaluate various production practices as well as different marketing strategies for specific target markets. The process was initiated in the latter part of 2005 to establish test plantings at the Kula Research Station on Maui. We envision a new multi-million dollar industry for the state, in which appropriate marketing will play a crucial role.

The MOA also served as a catalyst by providing seed money that CTAHR leveraged for funding to address industry needs in the potted plant industry and for socially disadvantaged growers.

Potted plant industry. According to the Hawaii Agricultural Statistics Service, the farmgate value of potted & cut foliage and potted flowering plants was \$23 million in 2003, of which a large portion is exported. Competition is keen, and costs are increasing in part due to problems with pests such as the coqui frog and stinging caterpillar. Many marketing/production decisions are currently made without precise cost information.

Support from ADC via the MOA was used to meet with industry to assess their needs, then to develop a proposal to computerize a manual method for calculating costs of potted plants. This information will be critical for pricing and assessing alternate marketing strategies, as well as for general business management. That proposal was unfunded but was the basis for a joint effort by CTAHR with partners in the southwestern U.S. for a USDA-Risk Management Agency grant to help growers with their cost/marketing problems by developing tools and providing training in risk management.

Socially disadvantaged growers. A second activity indirectly supported by ADC was to develop several proposals to assess needs and to train socially disadvantaged growers in various aspects of crop production, including marketing (see Oahu). Papaya growers in Puna and coffee growers in Kona and Kau are among the targeted groups.

Maui

The ADC MOA provided support to develop proposals involving Maui produce growers.

Maui Onions. Maui onions had \$1.5 million in farmgate sales in 2003 and have a worldwide reputation as a premier sweet onion. Unfortunately, others have tried to capitalize on this reputation at the expense of the industry. The MOA was used to meet with the Maui Onions Growers Association (MOGA) and create proposals (w/ R. Shimabuku) to HDOA and Maui County for developing promotional/informational materials, and to develop an industry certification program based on MOGA's geographic trademarks for Maui Onions.

Produce growers. Proposals were developed and submitted to Maui County and HDOA (w/ R. Shimabuku) for an introductory/refreshers short course and subsequent small group training on farm record keeping and cost of production. Participants will be able to estimate their own costs of production and marketing, and will have hands-on training in using such information for production and marketing decision making.

Kauai

Training. Through the Kauai Community College entrepreneurship program called *Food Industry Career Pathways*, the ADC MOA continued to support lecture-workshops in general marketing and adding value as well as one-on-one discussions with participants on individual problems. These sessions contributed to participants' basic marketing skills.

Papaya. According to the most recent Statistics of Hawaiian Agriculture, papaya production on Kauai in 2003 had a farmgate value of less than \$600 thousand out of a statewide total of over \$13 million. Kauai production totaled \$2.3 million as recently as 1999.

The ADC MOA is providing the support to evaluate the feasibility of producing papayas and refurbishing, then operating the papaya disinfestation facility. The analysis will assist in securing capital and operating funds until the production and processing operations are operating independently. Re-opening the facility will give Kauai the opportunity to rebuild its papaya industry.

Oahu (and Hawaii Island)

ADC's MOA supported the development of several proposals (w/ S. Swift) to assist socially disadvantaged farmers by first assessing their needs, then conducting a series of short courses and follow-up sessions, including training in basic marketing and business management skills. Two proposals totaling \$115,000 were funded, so ADC's investment on this project alone has been leveraged nearly twelve-fold.

Approximately 200 growers on Oahu and the Big Island have been surveyed to date, and introductory workshops were conducted in Waipahu, Waialua, Keaau, and Pahala. Short course series in Waialua and Mililani have been well received by target clientele. These will be expanded to papaya, coffee, and other growers on the Big Island and additional growers on Oahu.