

**Report To The
Legislature of the State of Hawaii
In Response To
2007 House Concurrent Resolution No. 170, SD1
and
Senate Concurrent Resolution No. 192**

Protecting the Livestock Industry in Hawaii



Department of Agriculture

STATE OF HAWAII

December 2007

Executive Summary

House Concurrent Resolution 170, Senate Draft 1 and Senate Concurrent Resolution 192, Regular Session 2007, requested the Hawaii Department of Agriculture (HDOA) to establish a task force to discuss and develop long-term solutions to effectively protect the livestock industry in Hawaii, and to submit a findings and recommendations report, including proposed legislation, to the Legislature before the convening of the Regular Session of 2008.

Funding was not provided to support this initiative therefore the HDOA and the University of Hawaii at Manoa, College of Tropical Agriculture and Human Resources (CTAHR), collaborated to address HCR 170, HD1 and SCR 192. CTAHR graciously allocated staff and resources for the project.

The CTAHR and HDOA convened four committees: beef, dairy, pork and poultry. Pursuant to the Legislative mandate, each committee was asked to:

- Examine current policies, procedures, and operations of live stock farms in Hawaii;
- Explore and identify best practices;
- Explore other options available to the task force to develop long-term solutions;
- Establish findings, and identify and recommend solutions to issues involving satisfying livestock feed requirements, including the transportation costs of feed.

The committees met between July 2007 and November 2007 and gathered information via facilitated meetings, email discussions and surveys. Gaps and needs were identified, and recommendations were made. The committee reports describing their processes and subsequent findings and recommendations are included in the appendices of this report.

The committee reports represent many hours of discussion by public and private stakeholders from the livestock industry. The findings and recommendations from the four committees share the following priorities:

- Marketing and Education
- Preservation of Agricultural Land
- Stable Labor Force
- Transportation Costs
- Coordinated efforts between the executive and legislative branches to ensure that state and federal policies, and legislative mandates, support a viable and sustainable agriculture industry in Hawaii.

Introduction

In 1988 the livestock industries generated over \$87.3 million in farm gate value in the state's agriculture sector. Beef, dairy, eggs and pork were ranked in the top 10 of the diversified agriculture components. By 2006, total sales of livestock products had plummeted to \$53.3 million, a 39% decrease.

The current beef cattle industry in Hawaii is predominately made up of "cow-calf" operations. These operations maintain cow herds that produce calves that are raised on pasture for 6-10 months. At 6 to 10 months of age the calves are then weaned and either sold to mainland buyers or are retained by the owner producer and shipped to the mainland for further growing and finishing under the producer's ownership. Generally, Hawaii's beef industry discontinued feeding and finishing cattle in local feedlots in the early 1990s when the cost of imported feed for the cattle along with the high cost of slaughter and processing became prohibitive.

The poultry industry (broiler and eggs) has experienced declining revenues. Fifteen years ago, 222.4 million eggs were produced in Hawaii. Today, less than half of that is produced and there are only five commercial egg farms and one commercial broiler farm in Hawaii. Starting new farms is very difficult and results in a heavy debt load. Producers are aging and have few successors. Land availability for poultry production is limited because of land re-zoning, loss of agricultural land, and urban encroachment.

The dairy industry sales decreased from \$32.2 million to \$14.5 million in less than two decades. This decline is attributed to environmental issues, feed costs, transportation, milk prices to farmers, an aging ownership in the industry and changing dynamics in the marketplace. In 1980, the islands were totally self-sufficient in milk. By the end of 2007, we will produce less than 20% of our fluid milk needs. This decline is part of a national trend as the industry consolidates into mega-dairies and migrates to states with favorable conditions for this industry. Fluid milk is seen as an essential component in the daily diet especially for children and the elderly.

Hawaii's swine farms are small family farms with limited land, limited resources, and limited economies of scale. The primary competition for local pork is inexpensive mainland pork. Producers acknowledge that the local pork supply is not adequate to meet the market demand. Slaughter costs are high and the industry is concerned about the sustainability of the Hawaii Livestock Cooperative slaughterhouse on Oahu. Feed costs are high and there are no grain-based feeds produced locally.

Rising fuel costs, an unstable agriculture labor market, declining farmland acreage and lack of long term leases all contribute to a troubling forecast for the livestock industry in Hawaii.

H.B. No. 1221, 2007 Regular Session, created the livestock feed revitalization program (LFRP) to allow the HDOA to provide grants to qualified producers to

reimburse them for a portion of their feed expenses. The LFRP was intended to be a short-term measure to maintain the livestock industries while longer term solutions might be developed. HCR170, S.D. 1 and SCR 192, Regular Session 2007, provided a venue for Hawaii's livestock industry stakeholders, and state agencies, to come together to identify critical issues that impact a sustainable livestock industry in Hawaii.

The HDOA would like to acknowledge Andy Hashimoto, CTAHR, Dean and Director and CTAHR Specialists, CN Lee, Ph.D, Halina M. Zaleski, Ph.D, and Glen Fukumoto, for generously donating their time and expertise to coordinate the livestock committee meetings and reports.

The HDOA also acknowledges the dedication of numerous individuals from the public and private sectors who worked hundreds of hours to gather information for the livestock reports. The committee members are commended for their hard work, diligence and commitment.

This report reflects the opinions of the Hawaii livestock industries and summarizes what they feel to be the critical issues to support a viable industry. Methods of financing such initiatives may not have been fully explored in these discussions. In addition, increasingly stringent national regulations may require industries to undertake costly practices that Hawaii's companies may not be fiscally prepared to implement.

Overview

Pursuant to HCR 170 SD1 and SCR 192, CTAHR Specialists convened committees from the beef, dairy, pork and poultry industries. The committees identified gaps and needs in their industry and prepared reports with findings and recommendations. The full reports for the beef, dairy, pork and poultry industries are included in this report as Appendices A, B, C and D, respectively. The committee recommendations are summarized below.

Beef (Appendix A):

Beef cattle production has contributed to Hawaii's economy for more than 175 years. There are currently approximately 158,000 head of beef cattle in the State being grazed on approximately 900,000 acres of range and pasture land. Lands supporting beef cattle production in the state are comprised of owner operated fee simple land, leases from private land owners and leased government lands.

Over the past 35 years there has been a steady decline in the total inventory of beef cattle in the State and the acreage in production. The decline in total beef cattle inventory can be explained by a large shift in marketing strategies in the mid-1980's, when Hawaii shifted from predominantly keeping all of their calves in Hawaii for finishing and processing and sale, to one where most of the calves are shipped out of State after weaning. The decline of acreage in beef cattle production is largely attributed to private and government lands being taken out of production to satisfy owner and trust recipient returns and the removal of lands which retained native flora and fauna for conservation purposes. Lands taken out of sugar cane production in the 1990s and quickly converted to beef cattle production, partially offset the loss of private and government lands that were removed from beef cattle production over the past 20 years.

The beef industry action groups, members of the Hawaii beef cattle industry, the Hawaii Cattlemen's Council, Inc. and subsequent committees identified three strategies to ensure a viable beef cattle industry in Hawaii:

- Land Use Policy: Adopting public policies which support the economic sustainability of predominantly grazing and other open space uses.
- Production and Marketing: Maintaining a variety of marketing options for Hawaii's beef producers including both local and mainland production and marketing opportunities together with the necessary transportation alternatives to keep the same viable.
- Education: Educating the general public (including our children), policy makers and stakeholders on issues critical for the survival of the Beef Cattle Industry in Hawaii.

The beef industry recommendations to satisfy livestock feed requirements, including transportation costs of feed:

- Research and develop local sources of feed to finish cattle in the State.

- Make agriculture water available and cost effective to irrigate former sugar/pineapple lands that have the potential to grow and finish beef cattle.
- Research the availability and cost of bulk commodity vessels to import feed for all livestock.

Dairy (Appendix B):

The islands were totally self-sufficient in milk in 1980. In 1988, milk sales were valued at \$32.2 million dollars and the dairy industry was ranked 4th in diversified agriculture. Less than two decades later, the dairy industry sales dropped to \$14.5 million. By the end of 2007, Hawaii will produce less than 20% of our fluid milk needs.

Dairy industry members expect further reduction in sales in the near future unless key issues are addressed.

Dairy producers' recommendations:

- Update the Milk Act (HRS § 157). Specifically, the provisions concerning pricing, milk utilization, "shortage" definition, quota management, milk fat pricing, and marketing of locally produced milk. The Milk Act was enacted forty years ago (1967). Updating the Milk Act will clarify issues that are crucial to the dairy industry today.
- Provide the Board of Agriculture with emergency powers to address critical dairy industry issues in a timely manner. In some cases, delays in action (for the administrative rule-making process) may result in thousands of dollars in losses in daily revenues for dairy farmers.
- Monitor the quality of imported milk. Currently, fluid milk is imported from California to Honolulu in "super cooled tankers." The milk is pasteurized in California, cooled and filled into super cooled bulk containers, shipped to Hawaii in the insulated containers (without additional refrigeration), and re-pasteurized locally for retail. This is allowable if the temperature of the milk is below 45°F when it is received at the Hawaii processing plant.
- Provide resources to support CTAHR research and visits by extension staff, i.e. more research on forages, grazing management, etc.
- Continue collaborative efforts between the United States Department of Agriculture, Natural Resource Conservation Services (USDA/NRCS) and CTAHR to assist farmers. The USDA/NRCS administers the Environmental Quality Improvement Programs (EQIP) and provides services on soil conservation. USDA/NRCS works closely with the CTAHR on issues relating to animal nutrient management.
- Address statewide policies on agricultural land and viable irrigation systems. Specific issues include: Establish pasture land for dairies; Support irrigation

systems for forage production; Expedite permitting process for preferential industries (to establish new dairies); Dedicate land to grow feed.

Pork (Appendix C):

As of 2005, there are 230 swine farms in Hawaii (unchanged since 2001). The average swine farm size is 4.5 acres. In 2005, the number of sows in Hawaii was 5,000; a decrease of 1,000 sows since 2001. From January through September 2007, a total of 15,519 hogs were slaughtered in Hawaii, of which, 10,442 or 67% of the hogs were live imports from the mainland.

Swine farms are small family farms with limited land, limited resources, and limited economies of scale. Swine farmers are very independent and many do not participate in industry organizations. Communication amongst the farmers needs to be improved.

The swine industry group recommendations to support a viable industry in Hawaii are as follows:

- The swine industry, with the support of the Hawaii government, should develop a lower cost feed using dehydrated garbage. Dehydrating garbage in a centralized facility located on Oahu can produce an ample amount of feed for all the pigs in the state. The technology is available, with prototypes having been tested on Oahu and the Big Island. Dehydration has the potential to produce a reasonably priced balanced feed with many of the storage and handling advantages of grain-based feeds.
- The Swine Task Force, other livestock industries, HDOA, House and Senate Committees responsible for transportation, and members of Hawaii's congressional team should meet with shippers to determine if shipping costs can be reduced or subsidized.
- HDOA should convert all loans to the Hawaii Livestock Cooperative into grants. A meeting should be held with all facilities slaughtering swine to determine what other measures will help to ensure that they can continue operations.
- 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 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 state government should make a strong commitment to preservation of agricultural land for the raising of livestock.
- To ensure equitable assistance to both smaller and larger farms, government programs, such as the feed subsidy, should be based on a proportion of gross

hog sales income. Most swine producers start small and expand gradually, so having a pool of viable small farms is important to the long-term sustainability of the industry.

Poultry (Appendix D):

All poultry farms in Hawaii are family farms. The median poultry farm size is 5 acres. As of 2007, there are 5 commercial egg farms (4 on Oahu and 1 on Hawaii Island) and one commercial broiler farm located on Kauai. In 2006, there were 440,000 layer birds, down from 588,000 in 2001. Total egg production in 2006 was 96,900,000 eggs, down from 129,400,000 in 2001. The market share for local eggs is 35%.

The poultry industry group recommends the following:

- The industry should create a focused and cohesive plan to educate the public and legislators. 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.
- The industry should explore how to tap into federal aid and subsidies for transportation, fuel surcharge and related costs. Getting federal aid, subsidies, and/or special rates on the transportation of feed for food purposes is critical for the industry to survive. This is a big cost that is incurred by Hawaii farmers and not mainland farmers.
- The Poultry Task Force, other livestock industries, HDOA, House and Senate Committees responsible for transportation, and members of Hawaii's congressional team should meet with shippers to determine if shipping costs can be reduced or subsidized.
- 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 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 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 HDOA 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.

It should be noted that, with the exception of the beef planning sessions, the transportation industry was missing in these discussions. Rising transportation costs (driven by rising energy costs) increases the cost of almost all the imports for the livestock and other agricultural industries.

The agriculture industry leaders and constituents appreciate the legislative prioritization of livestock industry issues. We look forward to discussing the findings, recommendations, action items and requisite legislation to effectively protect the livestock industry in Hawaii.