

**REPORT TO THE THIRTIETH LEGISLATURE
2019 REGULAR SESSION**

AGRIBUSINESS DEVELOPMENT CORPORATION ANNUAL REPORT

PURSUANT TO ACT 264, SLH 1994

Prepared by:

**Agribusiness Development Corporation
State of Hawaii**

December 2018

Who Is ADC?

The Agribusiness Development Corporation (“ADC”) is a state agency created by the Hawaii State Legislature in 1994 to conserve and convert arable lands and their associated infrastructure that were formerly large mono-crop plantation lands into new productive uses. Its ultimate goal is to ensure that agricultural production and agribusiness ventures will be responsive to the current food and other agricultural needs of the State. In 2005, the Hawaii 2050 Sustainability Task Force developed a broad, comprehensive plan that recognized local food production as a key element of food self-sufficiency and sustainability for the State. In his Sustainable Hawaii Initiative, Governor David Ige unveiled his 2016 roadmap, adopting the guiding principles of the Sustainability Task Force and narrowing his focus on five goals. Included among the five goals was the increase in food production as a key element in our quest to prudently utilize our natural resources and to ensure that we today and our successors in the future can enjoy the beauty and bounty of this great state.

ADC’s first major action, with the support of the Legislature, was the purchase of the nearly 100-year-old Waiahole ditch, in 1998, from the Waiahole Irrigation Company, Ltd., formerly the Waiahole Water Company, Ltd, a subsidiary of Oahu Sugar Company. Litigation over the propriety of the diversion and re-direction of water from the lush windward side of Oahu to the drier but arable lands in central and leeward Oahu began in 1995 and continued for 15 years, until its final resolution in 2010. ADC continues to operate and manage the 26-mile long ditch, which provides non-potable water to approximately 5,866 acres of agricultural lands.

In 2012, with a new administration, a new executive director, and an energetic and visionary board of directors, and again with the support and direction of the Legislature, ADC began an aggressive campaign to kick-start Hawaii’s diversified agricultural production. At the same time, Dole Foods Company and Castle and Cooke Hawaii began to divest themselves of lands that were best suited for agricultural use, keeping those lands with optimum commercial value for commercial and residential development. Through the concerted efforts, support, and confidence of the administration, the Legislature, and the private sector, ADC began and continues to acquire the best arable lands from Waialua to Wahiawa and Waipio, enabling it to fulfill its mission of conserving and converting former sugarcane and pineapple fields into diversified crop production, and guaranteeing these prime lands will never be lost to casual farming or other non-agricultural uses. Since 2012, ADC has acquired approximately 3,371 acres of former sugar and pineapple lands in the area. A breakdown of the land purchases can be found in the appendix.

ADC's Mission

To acquire and manage, in partnership with farmers, ranchers and aquaculture groups, selected arable lands, water systems and infrastructure for commercial agricultural use and to direct research into areas that will lead to the development of new crops, markets and lower production costs.

What ADC Does For Hawaii

Rich agricultural lands are one of Hawaii's greatest assets. ADC's role is to protect the future of agriculture in Hawaii by facilitating its transformation from a dual crop economy of sugar and pineapple to a multi-crop industry. The breadth of ADC's responsibilities includes transitioning former plantation lands and water systems to diversified long-term agricultural use, initiating and developing diversified agriculture facilities, and finding innovative solutions for issues facing the agricultural industry today.

ADC's unique position enables it to coordinate Federal, State and private resources to optimize agribusiness opportunities. Its exemptions from Hawaii Revised Statutes Chapter 171 regarding land use, as well as Public Utilities Commission regulations and civil service laws, allow for greater flexibility in managing its programs. ADC fosters the growth of agricultural enterprises across the state by providing affordable irrigation and long-term licenses or leases to tenants, which stimulates investment in agribusiness and enhances the viability of agriculture in Hawaii.

ADC has the power to achieve these goals through diverse efforts, such as:

- Acquiring and managing select arable agricultural lands, water systems and infrastructure.
- Acquiring agricultural conservation easements to protect certain agricultural lands.
- Organizing farmers and users into cooperatives that benefit from the participants' common interests and collective efforts.
- Assisting in acquiring or constructing processing and/or treatment facilities to enhance producers' abilities to access export or value-added opportunities.
- Informing, educating or training farmers on various industry practices such as food safety, production techniques and land uses.
- Coordinating and cooperating with other government agencies, educational institutions and private organizations to advance agriculture in Hawaii.
- Conducting research and demonstrative projects to facilitate the transfer of knowledge or adoption of technology.
- Conducting economic and feasibility studies relating to agriculture.

Organizational Overview

The ADC is headed by a board of directors consisting of eight voting members appointed by the Governor, and three ex-officio voting members. The current members are:

Letitia Uyehara, Chair
Director of Marketing, Armstrong Produce
At Large Member appointed by Governor

Denise Albano
Agriculture Water Resources Project Manager, HDOA
At Large Member appointed by Governor

Lloyd Haraguchi
Retired, Executive Director, Public Land Development Corporation
At Large Member appointed by Governor

Margarita Hopkins
Retired, Director, Hawaii County Department of Research and Development
At Large Member appointed by Governor

Leilyn Koev
COO, Kawamata Farms
At Large Member appointed by Governor

Sandi Kato-Klutke
dba Ti Leaf & Taro
At Large Member appointed by Governor

Yukio Kitagawa
Retired, Chairperson, Board of Agriculture
At Large Member appointed by Governor

Douglas Schenk
Retired, Director, Maui Gold Pineapple Company
At Large Member appointed by Governor

Scott Enright
Chairperson, Board of Agriculture
Ex-Officio, Board of Agriculture

Robbie Melton
Executive Director, Hawaii Technology Development Corporation, DBEDT
Ex-Officio, Department of Business, Economic Development & Tourism

Jeffrey Pearson
Deputy Director, Commission on Water Resource Management, DLNR
Ex-Officio, Department of Land & Natural Resources

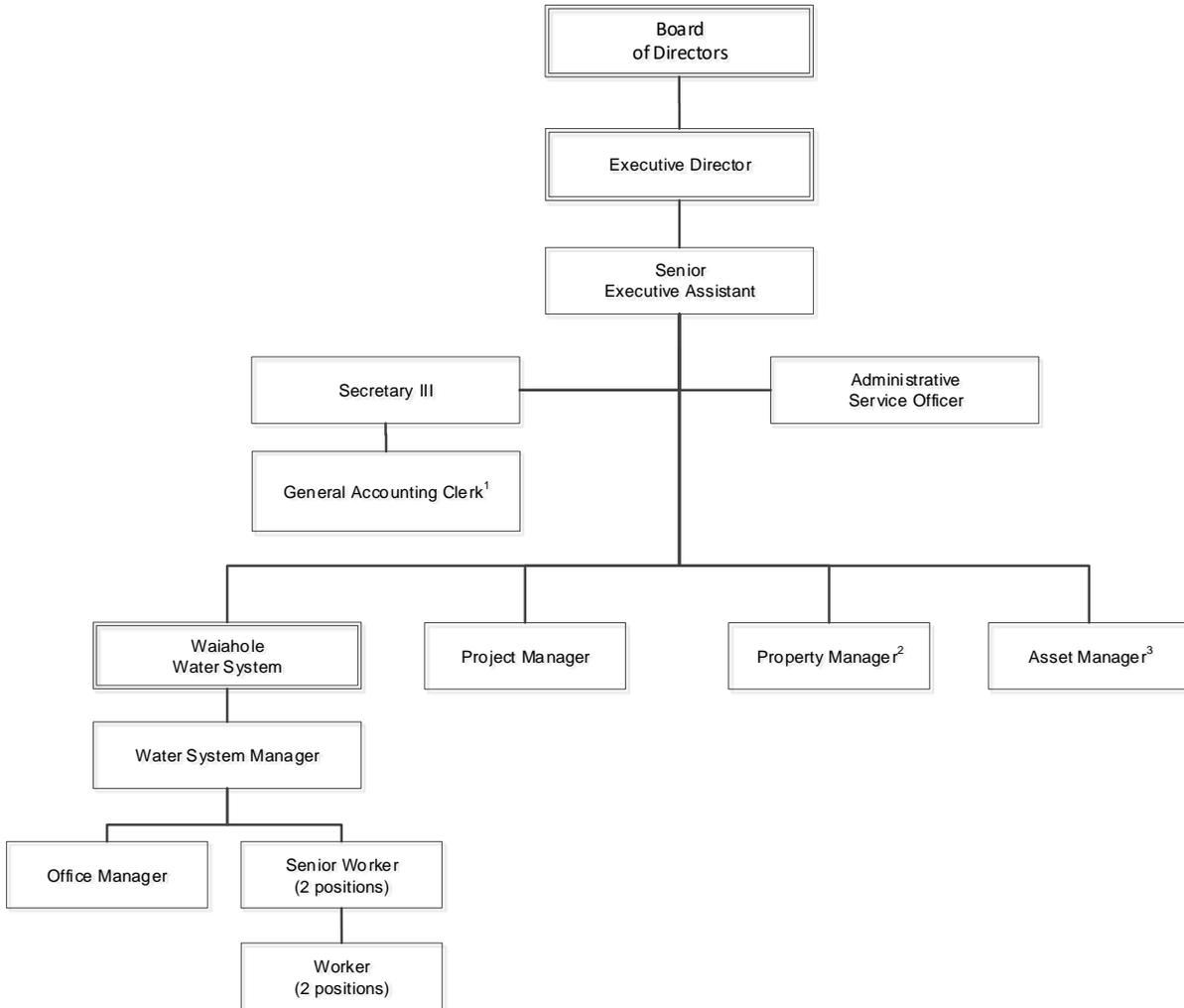
ADC Staff

The ADC Executive Director is James Nakatani.

Currently, a staff of 11 employees support agribusiness development and maintain the Waiahole Water System. To augment the staff, the Hawaii Department of Agriculture loaned a Special Projects Manager to ADC.

The three positions below are in the process of being established.

1. General Accounting Clerk – position authorized effective 7/1/18
2. Property Manager – position authorized effective 7/1/18
3. Asset Manager – position authorized effective 7/1/16



**FY2018 Financial Statement
Agriculture Development Revolving Fund**

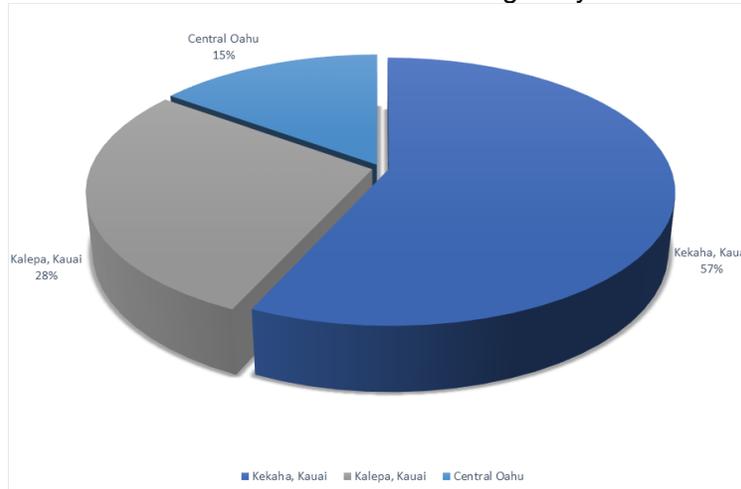
| | Budget | Actual |
|-------------------------------------|--------------------|--------------------|
| Revenue | | |
| Investment Pool | \$11,795 | \$18,242 |
| Legislative Appropriation | \$50,600 | \$50,601 |
| Administrative Fees WWS | \$120,216 | \$111,442 |
| Kekaha / Kalepa Rent | \$354,000 | \$667,038 |
| Revocable Permits & Other Land Rent | \$55,000 | \$184,408 |
| Building Rent | \$238,429 | \$197,983 |
| Galbraith Water | \$577,125 | \$7,086 |
| Navy PMRF Contact | \$827,226 | \$758,863 |
| Miscellaneous | | \$32,797 |
| Total | \$2,234,391 | \$2,028,460 |
| Expenditure | | |
| Payroll & Benefits | \$688,863 | \$706,018 |
| General Administration | \$119,314 | \$153,978 |
| Equipment | \$15,000 | \$1,526 |
| Kekaha | \$100,000 | \$241,205 |
| Galbraith | \$300,000 | \$277,764 |
| Zero Waste Project | \$25,000 | \$42,924 |
| Kalepa | \$10,000 | \$7,277 |
| Navy PMRF | \$480,050 | \$502,468 |
| Whitmore | \$75,000 | \$19,668 |
| Tamura Warehouse | \$50,000 | \$11,847 |
| Kalaeloa | \$3,500 | |
| Total | \$1,866,727 | \$1,964,675 |
| Revenue Less Expenditure | \$367,664 | \$63,785 |

**FY2018 Financial Statement
Waiahole Water System Revolving Fund**

| | Budget | Actual |
|---------------------------------|--------------------|--------------------|
| Revenue | | |
| Water Delivery | \$1,292,837 | \$1,303,586 |
| Investment Earnings | \$15,330 | \$11,294 |
| Total | \$1,308,167 | \$1,314,880 |
| | | |
| Expenditure | | |
| Payroll & Benefits | \$510,572 | \$508,337 |
| General Administration | \$140,000 | \$203,454 |
| Building Rent & Expenses | \$55,600 | \$0 |
| Equipment / Vehicles (new) | \$45,000 | \$1,590 |
| Materials & Supplies | \$30,000 | \$41,267 |
| Repairs & Maintenance | \$44,000 | \$22,611 |
| Emergency | \$50,000 | \$0 |
| G.O. Bond Repayment | \$423,350 | \$387,302 |
| Total | \$1,298,522 | \$1,164,561 |
| | | |
| Revenue Less Expenditure | \$9,645 | \$150,319 |

Land Development Overview

The graph below illustrated the breakdown of land managed by the ADC.



Central Oahu Lands

In 2012, the Trust for Public Land purchased 1,732 acres of land from the Galbraith Estate, near Wahiawa, and transferred the land to two Hawaii public agencies. ADC received 1,200 acres and the Office of Hawaiian Affairs (OHA) received the 500 acres surrounding Kukaniloko, the royal birthing site. The properties can only be used for agriculture.

Kalepa, Kauai Lands

In 2005, ADC gained control of 7,000 acres of former Lihue Plantation land, now referred to as Kalepa. Included in the transfer was the East Kauai Irrigation System.

Kekaha, Kauai Lands

In 2002, with the closing of all Amfac/JMB sugar operations, ADC gained control of 28,000 acres of land in the Mana plains area of Kekaha. Included in the transfer was the Kokee Ditch System, the Kekaha Ditch System, two pump stations, two hydro-electric power plants, and an irrigation/drainage ditch system.

Property Management Activities

Much of ADC efforts focus on property management – the processes and labor required to manage the life cycle of all acquired property including acquisition, control, accountability, responsibility, restoration, maintenance, utilization, and disposition. Property management encompasses both individual properties and the infrastructure that ties the region together. Adding to this complexity is the requirement that ADC farmers are required to submit an approved conservation plan and to meet current food safety and good agriculture practices criteria.

Listed below are milestones outside of normal property management activities.

Oahu Lands Highlights

FY2018 Accomplishments

Galbraith Area

1. Prepared 950 acres for cultivation.
2. Completed plans and designs to convert the Bott Well Pump to a dual drive (diesel/electric) pump to increase its reliability.
3. Constructed interior farm road providing access to the small farmers' lots.
4. Initiated construction of reservoirs and water storage pond to increase the capacity of the Galbraith Irrigation System and accessibility to water for irrigation purposes.

Waialua Area

5. Acquired 434 acres (TMK 1-6-5-005-002)
6. Issued land licenses to existing agriculture operations

Whitmore Area

7. Completed the conceptual plans and design for the Whitmore Project Master Plan through the University of Arkansas Community Design Center. The project included a food processing building, workforce housing, an innovation and creative facility and retail space – designed to create a destination and revitalize the Whitmore / Wahiawa area. The project has won numerous awards: Architects Newspaper Best of Design Awards (Unbuilt Urban and Unbuilt Landscape); World Architecture Festival Ethics Award; and World Architecture News Award for Urban Design Recognition (Futures Project). An additional benefit is the University of Hawaii Community Design Center was created from this project model and continues to gain capacity and competency.
8. Cleared 60 acres of hazardous albizia trees to prepare the land for cultivation
9. Acquired 216 acres (TMK 1-6-5-002-011)
10. Acquired 234 acres (TMK 1-6-4-004-006 / 1-6-4-004-008)



Waialua



Galbraith



Whitmore



Waialua

Kauai Lands Highlights

FY2018 Accomplishments

Kalepa Area

1. Converted 200+ acres of pasture land to diversified agriculture.

Kekaha Area

Pumping Litigation. In 2016, Earth Justice sued ADC and the Hawaii Department of Health alleging a violation of the Federal Clean Water Act. The complaint stemmed from the nearly 100-year practice of pumping water from the Mana plain to offset water infiltration and back flow from the ocean, ADC reached an agreement with the Hawaii Department of Health to discharge water into the ocean pursuant to specific standards and is in the process of settling the lawsuit.



Kalepa



Kekaha

Waiahole Water System (WWS)

The WWS provides a constant and stable source of irrigation water to approximately 5,866 acres of land in central and leeward Oahu. The system produces 22 to 29 mgd (million gallons per day). On average, about 5 to 7 mgd is diverted for use to system customers. The remaining water is discharged onto various windward streams including Kahana, Waikane, Waianu and Waiahole streams.

The WWS is a key component in ADC's Central Oahu Water Security Plan, which seeks to improve the efficiency of the WWS. Improvements will not only ensure the production of crops but will also address some of the goals of the Hawaii Fresh Water Initiative in their 2016-2018 Blueprint for Action, Water Security For an Uncertain Future.

FY2018 Accomplishments

1. Installed 300-feet of 48-inch diameter culvert type pipe installed in ditch at Siphon B outlet to prevent leakage, soil runoff and debris to enter ditch system.
2. Installed four 48-inch diameter HDPE pipe siphons to replace deteriorating 72-inch diameter riveted steel pipe siphons.
3. Installed a supervisory control and data acquisition (SCADA) water monitoring system with four monitoring stations was installed. WWS will be able to monitor the usage and loss between each station, identify water loss areas and devise the proper method to address it.



Zero Waste Project

Reducing food waste or Zero Waste Conversion is a strategy championed by USDA Pacific Basin Agricultural Research Center (PBARC) staff. ADC, PBARC and Pacific Biodiesel Technologies (Hilo) currently are engaged in a project regarding the development of algae, grown on papaya waste, as a biofuel and livestock feed.

FY2018 Accomplishments

1. Completed plans and design for project build-out in the adjacent lot to Pacific Biodiesel. The construction phase was put out to bid and did not receive any offers. As a result, the funds received for construction (\$1.5 million) lapsed on June 30, 2018.

Grant-In-Aid Projects

Kumano I Keala O Makaweli, Kauai

Administered a HRS 42F grant-in-aid for \$95,000, pursuant to Act 124, SLH 2016 to restore 3,800 feet of traditional Hawaiian irrigation ditch system (auwai) that will revegetate soil and feed lo'i kalo; restore four (4) acres of traditional lo'i kalo in Makaweli Valley; help reconnect the West Kauai community with its rich agricultural history; and minimize food insecurity by teaching traditional Hawaiian sustainable agriculture.

FY2018 Accomplishments

1. Cleared 3,800-feet of auwai which serve four kalo farms totaling 20 acres of lo'i kalo
2. Cleared 6 acres of lo'i with 4 acres planted or prepped for planting
3. Over 500 students (K-12) and 16 student interns have participated in cultural and agricultural restoration work learning through traditional Hawaiian cultural practices.

Aina Hookupu O Kilauea, Kauai

Administered a HRS 42F grant-in-aid for \$250,000, pursuant to Act 049, SLH 2017 to develop a 75-acre former plantation parcel owned by the County of Kauai to make it suitable for agricultural use. The project is scheduled for completion by July 31, 2019.

FY2018 Accomplishments

1. Executed contract

Aina Hookupu O Kilauea, Kauai

Administered a HRS 42F grant-in-aid for \$110,000 in operating funds, pursuant to Act 049, SLH 2017 to increase its staff with an administrative position and an intern to assist the Executive Director. The project is scheduled for completion by July 31, 2019.

FY2018 Accomplishments

1. Executed contract

Hawaii Farmers Union Foundation, Oahu

Administered a HRS 42F grant-in-aid for \$90,000 in operating funds, pursuant to Act 049, SLH 2017 to strengthen the support structure for farmers on Oahu through stronger HFUF Chapters and more effective food aggregation and distribution in the Waimanalo and Waianae region. The project is scheduled for completion by June 30, 2019.

FY2018 Accomplishments

1. Executed contract

Appendix
Land Purchase Summary
FY2010 – FY2018

ADC Land Purchase Breakdown

| Seller | TMK | Acreage | Closing |
|--|--------------------------------|---------|---------|
| Trustee of the George Galbraith Estate | Various | 1,250 | 2012 |
| Castle & Cooke, Inc. | 1-7-1-002-009 | 24 | 2013 |
| Tamura Enterprises, Inc. | 1-7-4-012-016 | 2 | 2014 |
| Dole Food Company, Inc. | 1-7-1-002-004 1-7-1-002-023 | 257 | 2015 |
| W.H. Shipman, Ltd. | 3-6-151-002 | 2 | 2015 |
| Dole Food Company, Inc. | 1-6-5-002-001 | 73 | 2016 |
| Dole Food Company, Inc. | 1-7-1-002-006 1-7-1-002-034 | 197 | 2016 |
| Castle & Cooke, Inc. | 1-7-1-002-032 | 205 | 2016 |
| Dole Food Company, Inc. | 1-6-4-003-016 1-6-5-001-046 | 386 | 2017 |
| Castle & Cooke, Inc. | 1-9-5-003-007 | 92 | 2017 |
| Dole Food Company, Inc. | 1-6-5-002-011 | 215 | 2017 |
| Dole Food Company, Inc. | 1-6-4-004-008 1-6-4-004-006 | 234 | 2017 |
| Dole Food Company, Inc. | 1-6-5-005-002 | 434 | 2017 |