

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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December 26, 2019

The Honorable Ronald D. Kouchi,
President and Member of the Senate
Thirtieth State Legislature
State Capitol, Room 409
Honolulu, HI 96813

The Honorable Scott K. Saiki,
Speaker and Member of the House of
Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, HI 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Report on the Agribusiness Development Corporation as required by Act 264, SLH 1994. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at <http://hdoa.hawaii.gov/>.

Sincerely,

A handwritten signature in cursive script that reads "Phyllis Shimabukuro-Geiser".

Phyllis Shimabukuro-Geiser, Chairperson
Board of Agriculture

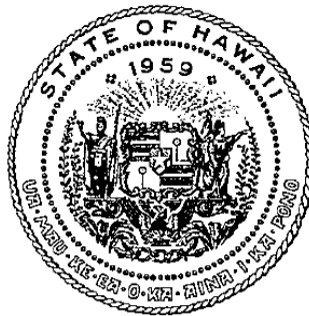
Enclosures



**REPORT TO THE THIRTIETH LEGISLATURE
2020 REGULAR SESSION
STATE OF HAWAII**

ANNUAL REPORT ON THE AGRIBUSINESS DEVELOPMENT CORPORATION

ACT 264, SLH 1994



PREPARED BY:

**THE STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION**

DECEMBER 2019

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:

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

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

Kevin Hopkins
Retired, Executive Director, Pacific Aquaculture & Coastal Resources Center
At Large Member appointed by Governor

Leilyn Koev
COO, Kawamata Farms
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

Warren Watanabe
Maui County Farm Bureau
At Large Member appointed by Governor

Phyllis Shimabukuro-Geiser
Chairperson, Board of Agriculture
Ex-Officio, Board of Agriculture

Michael McCartney
Director, Department of Business, Economic Development & Tourism
Ex-Officio, Department of Business, Economic Development & Tourism

M. Kaleo Manuel
Deputy Director, Commission on Water Resource Management, DLNR
Ex-Officio, Department of Land & Natural Resources

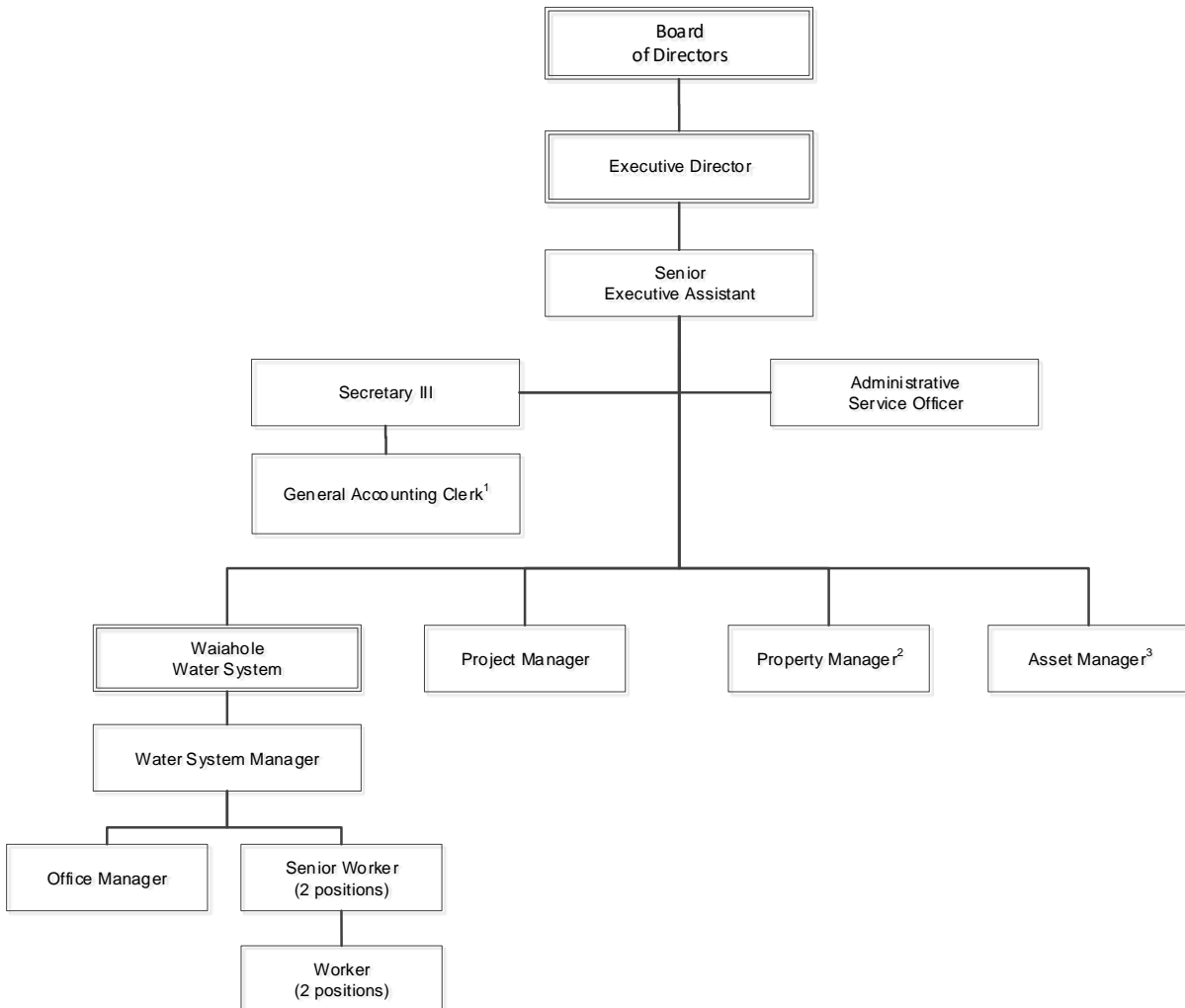
ADC Staff

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 filled.

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**

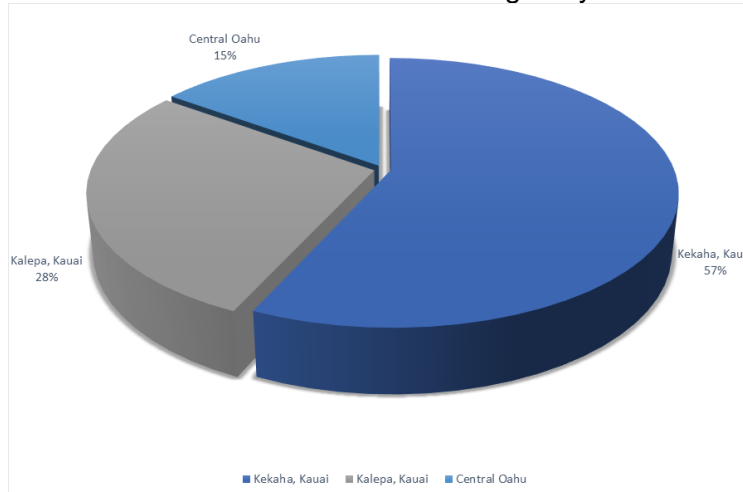
	Budget	Actual
Revenue		
Investment Pool	\$11,795	\$10,226
Administrative Fees WWS	\$120,216	\$80,742
Kekaha / Kalepa Rent	\$354,000	\$417,407
Revocable Permits & Other Land Rent	\$55,000	\$226,753
Building Rent	\$238,429	\$239,835
Galbraith Water	\$577,125	\$41,398
Navy PMRF Contact	\$827,226	\$948,263
Miscellaneous		\$24,531
Total	\$2,183,791	\$1,989,155
Expenditure		
Payroll & Benefits	\$688,863	\$741,457
General Administration & Office Expenses	\$119,314	\$192,323
Equipment	\$15,000	
Kekaha	\$100,000	\$88,612
Galbraith	\$300,000	\$341,856
Zero Waste Project	\$25,000	\$64,173
Kalepa	\$10,000	\$4,460
Navy PMRF	\$480,050	\$512,094
Whitmore	\$75,000	\$387
Tamura Warehouse	\$50,000	\$13,709
Kalaeloa	\$3,500	
Total	\$1,866,727	\$1,959,071
Revenue Less Expenditure	\$317,064	\$30,084

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

	Budget	Actual
Revenue		
Water Delivery	\$1,292,837	\$840,442
Investment Earnings	\$15,330	\$16,932
Total	\$1,308,167	\$857,374
Expenditure		
Payroll & Benefits	\$510,572	\$414,967
General Administration	\$140,000	\$188,149
Building Rent & Expenses	\$55,600	\$0
Equipment / Vehicles (new)	\$45,000	\$70,347
Materials & Supplies	\$30,000	\$43,044
Repairs & Maintenance	\$44,000	\$7,296
Emergency	\$50,000	\$0
G.O. Bond Repayment	\$423,350	\$421,714
Total	\$1,298,522	\$1,145,517
Revenue Less Expenditure	\$9,645	(\$288,143)

Land Banking 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 12,000 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.

Development and Maintenance of Physical Agriculture Infrastructure Overview

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

FY2019 Accomplishments

Galbraith Area

1. Farmer selection continued for vacant lands. ADC farmers are required to submit an approved conservation plan and to meet current food safety and good agriculture practices criteria.
2. Reservoir development continued to provide additional capacity for the delivery of irrigation water.

Whitmore Area

3. Permitting process for gardening activities for lots abutting agriculture lands was finalized. A maximum of 3,000 square feet is allowed for personal use.



Galbraith



Whitmore



Whitmore



Waialua

Kauai Lands Highlights

FY2019 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



Kekaha



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.

FY2019 Accomplishments

1. Initiated plans and design for a deep well to provide a back-up water source should the ditch system becomes inoperable and improvements to the ditch system to increase efficiency.



Grant-In-Aid Projects

Waimea Nui Community Development Corporation

Administered a HRS 42F grant-in-aid for \$800,000, pursuant to Act 049, SLH 2017 to develop water infrastructure for the Waimea Nui Community Agricultural Park. District of Kohala. The project is scheduled for completion by July 31, 2020.

FY2019 Accomplishments

1. Executed contract
2. Civil work and planning

Appendix I
Land Purchase Summary
FY2019

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

Appendix II
Licensing Summary
FY2019

Licensing Summary

	Pasture (Acre)	Diversified (Acre)	Other (Acre)	Total Occupied (Acre)	Total Available (Acre)	% Occupied
Galbraith		409		409	1,250	33%
Kalaeloa			4	4	4	98%
Kalepa	2,702	432	1,415	4,549	4,800	95%
Kekaha	1	3,267	117	3,384	12,000	28%
Mokuleia		18		18	18	100%
Paalaa	16	424		440	450	98%
Waialua 73			35	35	73	48%
Whitmore 24		4		4	24	17%
Whitmore 257		18	30	48	60	80%
Grand Total	2,718	4,572	1,600	8,890	18,679	48%