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Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board 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 Strategic Plan to Double Local Food Production and Exports by 2030 as required by Act 151, SLH 2019. 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

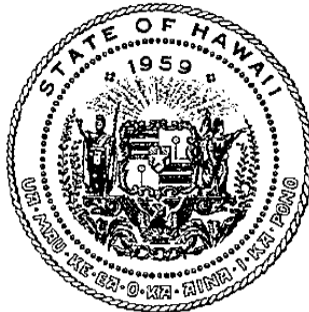
Enclosures



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

**REPORT ON THE STRATEGIC PLAN TO DOUBLE LOCAL FOOD PRODUCTION AND EXPORTS BY
2030**

ACT 151, SLH 2019



PREPARED BY:

**THE STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
OFFICE OF THE GOVERNOR**

DECEMBER 2019

Background

Act 151, SLH 2019 passed the 2019 legislative Session and was signed by the Governor on June 26, 2019. This act mandates the Department of Agriculture (DOA) to develop a strategic plan to double local food production and increase food exports by 2030.

The DOA, in collaboration with the Office of the Governor, has been working diligently on Act 151, SLH 2019 and attempting to meet the aggressive 2020 Legislative Session deadline of December 26, 2019. Even with dedicated staff and resources utilized in this effort, the DOA has not been able to fully engage with the agricultural community and public and private sectors for input. Unfortunately, the timeframe allotted in the Act to create such a robust plan requires ample time and effort to make sure that the end product is both responsible and reflective of Hawaii's agricultural industry and public. While the plan continues to be developed to this day, the DOA humbly asks for an extension of one calendar year in order to allow for comprehensive outreach throughout the State. This will provide Hawaii with a plan that represents the various agricultural voices across the State as each island and region provides a unique perspective in the future of Hawaii's food system.

The DOA, Agribusiness Development Corporation, and the Governor's Office submits the following documentation containing the work-to-date on the Strategic Plan described in Act 151, SLH 2019. Included is a request for an extension of time beyond that provided in Act 151 in order to create a more robust strategic plan by undertaking statewide meetings with representatives of Hawaii's agricultural industry (particularly new farmers), University of Hawaii College of Tropical Agriculture and Human Resources, food wholesalers/distributors, retailers, and elected officials on the major islands.

The strategic plan is required to have the following components:

(1) Increased food production in Hawaii

DOA staff is considering one of two preferences - farm-gate value or product weight - as the primary benchmark for measuring the doubling of local food production.

(2) Increased exports of food crops and value-added agricultural products from Hawaii

Benchmark(s) to gauge the export of food crops and value-added agricultural products are to be determined. During 2020, after DOA staff selects and develops the benchmarks and metrics to measure Act 151's five goals, DOA will present and discuss the Strategic Plan with and seek the input and active participation from individual farmers, commodity groups, farmer associations, UH/CTAHR, etc. throughout the State, as they are the risk takers in any action plan seeking to substantially increase production and replace imports.

The strategic plan shall identify benchmarks that are quantitatively and qualitatively measurable and the metrics to determine progress toward the following goals:

(1) Doubling local food production and exports by 2030

The benchmark to “double local production” may be the annual compounded increase in farmgate value needed from 2012 to 2030 that would result in the doubling as determined by DOA. DOA can combine food crops meant for export as a subset of overall local food production. DOA staff will determine data sources and best means to measure value-added ag products. DOA/ADD will identify, evaluate, and select the quantitative/qualitative metric(s) to gauge achievement of this goal.

Hawaii’s production of select food has been growing steadily and achieving cumulative growth of 82% between 2010 and 2018. Farmed seafood, fresh vegetables & melons, and eggs have witnessed strong growth during this period. Additional information from the recent 2017 Census of Agriculture validates this trend with the number of farms statewide increasing by 4.7% and land acreage growing by 0.5% between 2012 and 2017.

ACTIONS THAT WILL RESULT IN SUBSTANTIAL INDIVIDUAL OR CUMULATIVE AND OVER TIME INCREASES IN LOCAL FOOD PRODUCTION AND EXPORT:

DOA anticipates a substantial increase in consumption of locally-produced food and replacement of food imports with the development and implementation of the Farm-to-State program that seeks to expand access of locally-grown food products to public schools, public prisons and hospitals and other institutions. DOA is in the process of hiring professionals to carry out the program.

A short-term increase in consumption of locally grown vegetables and fruits will result from the implementation of the Hawaii Healthy Food Initiative Program that offers a one-for-one match of purchases of qualifying locally-produced vegetables and fruits by beneficiaries of the Supplemental Nutrition Assistance Program (SNAP). This two-year program will distribute \$2 million in federal and local public, private, and non-profit funds. Farmers and their wholesalers/distributors are being advised of the increased demand for locally-produced vegetables and fruits as this program starts in December 2019.

Private sector investments promise substantial increases in local food production in the near future. Examples include Villa Rose (egg laying operation with over several hundred thousand chickens being developed in central Oahu); Costco’s proposal for 200 acres of greenhouses to produce vegetables and fruits; and Mahi Pono’s 30,000+ acres of central Maui land starting with 200+ acres of small farm lots and planting about 40 acres of potatoes. New agricultural production areas such as the Pomaika’i Partners 700+ acre agricultural production area with an on-site processing/storage/distribution function along Kamehameha Highway east of Waialua

will offer farm lots of various sizes and prohibit farm dwellings. There are other private investments and activities that need to be identified by DOA staff.

The Whitmore Community Food Hub Complex as proposed by ADC will offer neighboring agricultural operations the opportunity to sell their products at price points that appropriately reflect the demand for locally-grown fresh products that will be compliant with both the Food Safety Modernization Act (FSMA) and the voluntary but tougher Good Agricultural Practices (GAP) certification required by certain buyers. Successful establishment and growth of the Whitmore Community Food Hub as envisioned can help to strengthen local food production on former sugar and pineapple plantation lands on Oahu. DOA will include food hubs in the Act 151 Strategic Plan as part of a potential statewide strategy to replace imports in the Act 151 Strategic Plan.

HOW TO INCREASE LOCAL CONSUMPTION OF LOCALLY-GROWN FRESH FOODS?

Production of locally grown fresh food will not lead to increased local food self-sufficiency without an increase in local consumption. As discussed earlier, the Farm-to-State program promises to increase consumption of locally-grown food served in public institutions.

The current trend of eating prepared foods rather than cooking meals at home continues to increase. DOA staff is looking for proxy indicators that separate the amount (however measured) of local food production that is sold in retail markets for home preparation versus that which goes into prepared (restaurant, etc.) meals.

In response to the trend of eating prepared food, DOA/ADD will be identifying alternatives to increase the effectiveness of “Buy Local – It Matters” and other similar programs to increase consumption of locally-grown food.

(2) Identifying food crops that may be grown locally to replace imports and increase exports of food crops and value-added agricultural products from Hawaii

INFORMATION FIRST:

Identification of food crops does not need benchmarks or metrics until they’ve been identified and then the benchmarks will be number of farms growing the import-replacing food crops, farm acres planted in those food crop, and other proxy measures.

UH/CTAHR research has shown that 100 percent replacement is not a reasonable or achievable goal as high production costs, Hawaii’s “pocket market” phenomenon, and so forth make it

impractical and infeasible for Hawaii's growers to provide 100 percent of the local supply for any fruit or vegetable ("Estimated Impact On Hawaii's Economy of Replacing Selected Fresh Vegetable and Fruit Imports in 1991"; Economic Fact Sheet #20; July 1993; College of Tropical Agriculture and Human Resources – University of Hawaii; Nakamoto, S. T; Wanitprapha, K.; Leung, P). Nevertheless, DOA believes well-thought out and strategic public investments may maximize both the locally growing of select import replacements and exports of select food crops and value-added agricultural products. DOA also believes that it is State government's responsibility to provide agricultural producers accurate information on which to base business decisions.

Replacing certain imported crops with locally grown products will require collaboration of DOA, UH/CTAHR, and food wholesalers/distributors to jointly determine what food crops for which Hawaii growers may have a competitive advantage over imports on a seasonal and year-round basis, and that can also be exported to the mainland. There are existing UH/CTAHR studies that estimated the production acreage needed to replace a reasonable amount of imports. Identifying the most imported crops (potatoes, lettuce, carrots, etc.) over the past (possible in part by reviewing the now-defunct Hawaii Agricultural Statistic Service annual reports - market share data for vegetables/melons and fruit, dairy, eggs, poultry, swine, beef cattle, etc.) may be inadequate to determine the degree of competitive advantage over a year's time. However, we may discover opportunities to export the same. DOA will spearhead assessing the utility of generating new or updated cost-of-production studies, crop suitability research, and accounting for how much a difference the buy-local, fresher, tastier, etc. can make up for the price differential between imported and locally-grown food.

DOA and UH/CTAHR will broadly disseminate available information on imported crops that farmers are capable of growing now, and place special emphasis on encouraging larger-scale farming operations that may possess underutilized agricultural land with irrigation infrastructure, access to capital, and nearby processing/storage and distribution facilities.

DOA and UH/CTAHR will improve upon the existing marketing and regulatory pathways for exporting food crops and value-added agricultural products. Hawaii already exports sweet potatoes, papayas, macadamia nuts, avocados, etc. What will it take to export more of these? What about nutraceuticals which can be a value-added item? Is there an existing decision-making template for new entrepreneurs to assess whether there is export potential for their food crops/value-added items?

As this section is being written, DOA is uncertain what impact the sale of Armstrong Produce to Sysco Corporation will have on local food production. Sysco is a nationwide wholesale

company that supplies foodstuff to restaurants, healthcare, educational facilities, and lodging establishments – similar to what Hawaii Foodservice Alliance does. How will this change affect Hawaii’s agricultural producers? Is Sysco looking to export Hawaii fresh food to the mainland? Is retailing of locally-grown fresh foods part of Sysco’s business model? Will Sysco create an opportunity for motivated Hawaii agricultural producers to meet Sysco’s expectations of their Hawaii suppliers? Perhaps the proposed Whitmore Community Food Hub can serve as a Food Safety Modernization Act/Good Agricultural Practice compliant, value-added processing, aggregator, possibly supplying locally-grown food products to Sysco and Hawaii Food Alliance.

Also, there is concern regarding the pending application by Young Brothers for a 34 percent rate increase for inter-island shipping and the impact this large rate increase will have on the economics of producing and shipping locally-grown food.

(3) Identifying lands for:

(A) Producing food crops that may be grown locally to replace imports

The identification of agricultural lands suited to growing the import replacement crops identified in goal (2) can be partly accomplished by employing geographic information system (GIS) analysis of data sets already present in the Office of Planning’s GIS Program. There is an existing GIS tool at UH/CTAHR that was used to identify land areas on the Big Island suited for coffee, macadamia, and other crops.

(B) Raising livestock

Pasture and grazing lands that support cattle, sheep, goats, etc. have long been established on nearly every island. Concentrated animal feeding operations (swine, meat birds) have issues with waste storage and treatment.

(C) Developing value-added agricultural products

DOA staff opines this is not a land issue but a facility investment issue. The proposed Wahiawa Value-Added Product Development Center by ADC is one such facility.

With respect to the three categories of lands to be identified, DOA staff researched the agricultural lands that are under direct control of Agribusiness Development Corporation (ADC), Agricultural Resource Management Division (ARM) and indirectly via the Important Agricultural Lands, State incentives program (IAL). A total of 231,000 acres of agricultural land is under varying degrees of government control or influence. Public control of agricultural land addresses the issue of impermanency that adversely affects existing and potential farming operations throughout the state. The purchases of agricultural land by the State over the past five years have added to the inventory of State-owned land on Oahu.

ADC has control over its agricultural lands. Separately, ARM has control over its Agricultural Park and Non-Agricultural Park land assets to promote agricultural activities. The agricultural lands designated pursuant to the IAL law have exclusive access to incentives and an expectation that agricultural activity will continue or be established. All three programs will have a significant effect on increasing local food production.

From January 2015 to June 2019, the amount of agricultural land on the islands of Kauai, Oahu, Maui, and Hawaii that have been designated by the Land Use Commission as Important Agricultural Land (IAL) has increased from 101,075 acres to 135,799 acres, a 34% increase. The majority of designated IAL lands are in diversified crop production, cattle ranching, and seed corn. IAL designation offers the landowners and/or farmers access to incentives such as the IAL Qualified Agricultural Cost Tax Credit which allows landowners/farmers to offset a portion of qualified expenditures such as irrigation infrastructure and agricultural processing facilities directly supporting agricultural production on lands that are mostly designated as IAL.

The City Council has adopted by resolution (June 5, 2019), maps identifying about 43,000 acres of Oahu agricultural lands identified as potential IAL and have transmitted the maps to the Land Use Commission for their consideration to designate as IAL. Upon designation as IAL, the total agricultural land area under IAL designation statewide will be almost 180,000 acres. While IAL designation is not a zoning district, the support offered by the State and the City through their respective incentives are intended to start, maintain, and expand agricultural production on these lands. Additional IAL incentives that target imported food replacement could be considered as potential legislation by the 2021 legislative session.

As of December 2018, the ADC has control over nearly 38,400 acres of agricultural lands on Kauai (Kekaha and Kalepa) and central and north shore on Oahu (2018 Annual Report, pages 7-8, 13). ADC's 3,300+ acres of agricultural land on Oahu are mostly meant for diversified crop production.

The ARM's two land management programs, Agricultural Parks and Non-Agricultural Park Land manage over 14,000 acres meant for food and non-food production.

In total, over 231,000 acres of agricultural lands under direct State agency management and privately-owned agricultural land under IAL designation are intended for agricultural production.

The contribution of these agricultural land assets is a major first step towards significantly increasing local food production. The following information is needed to assess the current and planned usage of the 231,000 acres of agricultural land:

- a. What is acreage in current and active agricultural production for food (crops/livestock/aquaculture/etc.) and non-food production?
- b. For the acreage not in current/active agricultural production, when will these lands be put into agricultural production?
- c. What agricultural infrastructure (irrigation water systems, roadways, electricity, potable water, etc.) is needed and where is the priority, funding required, and approximate date of completion.

A proxy for current and active agricultural production for food and non-food production is to map the 231,000 acres and overlay the 2015 Statewide Agricultural Land Use Baseline Report (Melrose) which identifies food crops for local consumption (aquaculture, banana, dairy, diversified crops, papaya, pineapple, taro, tropical fruit, pasture) and non-food or export food products (coffee, flowers/foilage/landscape, macadamia nuts, seed production). The DOA will utilize the legislative funds provided in Act 151, SLH 2019 to update the 2015 Baseline Study. The Office of Planning's Statewide GIS Program has offered its assistance to determine acreage in active use and type of production.

Additional information that provides confirmation of agricultural activity and maybe crop type are from county tax dedication lists (by Tax Map Key) and permits for agricultural water rates. To continue receiving these two incentives requires updates to and/or attestation on a regular basis.

These agricultural lands as they are made available may need to equally prioritize medium- to large-scale agricultural operations and new farmers such as GoFarm Hawaii graduates and have flexible tenure, access to affordable capital and grants, food safety training and certification with partial or full subsidy, and market opportunities beyond the traditional wholesaler/distributor paradigm.

(4) Developing guidance for decisions regarding land acquisition, irrigation, and agricultural infrastructure

To be developed.

Standards and criteria to guide future acquisition of agricultural land and related infrastructure beyond that described under goal (3) should focus on the remaining former plantation assets as they have, for the most part, large contiguous land areas with existing infrastructure and

easements. DOA staff does not believe that agronomic suitability alone should drive plantation asset acquisition (see goals (2) and (3)).

Existing regional economic development policy/programs by county may provide broader criteria for consideration as asset acquisition criteria.

(5) Identifying implications and effects of the federal FDA Food Safety and Modernization Act on local food production and export

To be developed.

DOA is working in cooperation with UH CTAHR to deliver On-Farm Readiness Reviews, a national education program for FSMA compliance.