



**Minutes of the Board of Agriculture
October 26, 2021**

CALL TO ORDER – The meeting of the Board of Agriculture was called to order on October 26, 2021 at 9:03 a.m. by Board of Agriculture Chairperson, Phyllis Shimabukuro-Geiser. The meeting was conducted virtually via Zoom due to the current risk of exposure to COVID-19.

Members Virtually Present:

Phyllis Shimabukuro-Geiser, Chairperson, Board of Agriculture
Suzanne Case, Chairperson, Board of Land and Natural Resources, Ex Officio Member
Dr. Nicholas Comerford, Dean of the College of Tropical Agriculture & Human Resources University of Hawaii, Ex Officio Member
Mary Alice Evans, Ex Officio Member
Diane Ley, Hawaii Member
Vincent Mina, Maui Member
Fred Cowell, Kauai Member
Randy Cabral, Member-at-Large
En Young, Member-at-Large

Others Virtually Present:¹

18087218020
18088855593
Albert Vargas, FIN
Aldric Ulep, FIN
Alexia Akbay
Becky Azama, HDOA/PI
Bobby Farias
Brian Kau
Chad Buck
Cornel K.
Donald Garwood, HDOA/ARMD
Dutch Kuyper, Parker Ranch
Frank Vandersloot
Greenwell
Heath Williams, HDOA/Chair
Helmuth Rogg, HDOA/PI
Ian Hirokawa, DLNR Land
Isaac Bottleberghe
Jacob Tavares
James Nakatani, ADC
Janelle

¹ The identification of the public members is based on their sign-in name, but are not verified.

1 Janet
2 Jay Rawlings
3 Jill Mattos
4 Jonathan Ho
5 Jonathan Ho, HDOA/PQ
6 Joyce Wong, HDOA/ARMD
7 Kenani Gramberg
8 Kevin Moore (DLNR Land)
9 Kimeone Kane
10 Kristi Saiki
11 Laura Acasio, Senator
12 Linda Murai, HDOA/ARMD
13 Megahn Chun
14 Michele McCoy
15 MKM
16 Morris Atta, HDOA
17 Nicole Galase
18 Onaona Thoene
19 Plant Hawaii
20 Roy Hasegawa, HDOA/ARMD
21 Russell Tsuji
22 Scott Enright
23 Shaun Wilcox
24 Stephanie Buck
25 Steve
26 Susan Mulkern
27 The Kohala Center RCBDS Program
28 Trent Vandersloot
29 Whitesides
30 Zanga

31
32 II. APPROVAL OF MINUTES FROM 6/22/2021 MEETING

33
34 Motion to Approve 9/28/2021 minutes: Cowell/Ley

35
36 Board Member Comerford indicated that he would not vote because he did not attend the
37 9/28/21 meeting.

38
39 Vote: Approved; 8-0 (Abstained-Comerford)

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41
42 III. INTRODUCTIONS

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44 IV. COMMUNICATIONS FROM DIVISIONS AND ADMINISTRATION

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1 A. AGRICULTURAL RESOURCE MANAGEMENT DIVISION

- 2
3 1. Resubmittal Request for Acceptance of Annual Lease Rents as Determined by
4 Independent Appraisal for Rent Reopenings, Lease Conversions, Lease
5 Extensions, and New Leases for Various Lots Located Statewide; TMK Nos.: (1)
6 4-1-008:071, 072 por; (1) 4-1-018:049; (1) 4-1-027:027; (1) 4-1-035:001, 002,
7 004, 005, 006, 007, 008, 009, 011, 013, 014; (2) 2-2-004:001, 002, 029, 031, 066;
8 (2) 2-2-005:047, 053; (3) 2-2-056:027, 028, 029, 030, 032, 033, 034, 035, 036,
9 037, 038, 039, 040, 041, 042, 043, 044, 045; (3) 5-5-003:004, 005, 006, 5-5-
10 005:001, 5-5-006:002, 003, 004, 015; (3) 7-3-049:002, 003, 005, 007, 008, 009,
11 010, 011, 012.

12
13 Chair asked for a motion to vote on the new leases separately because the rents are set, and
14 they are Act 90 transfers. She added that farmers and ranchers have shown interest and are
15 waiting for the Act 90 transfers to be advertised and auctioned.

16
17 Board Member Evans questioned if the new leases were characterized by “disposition” under
18 purpose. Mr. Donald Garwood, ARMD, Branch Manager confirmed that was correct.

19
20 Chair and Members pointed out that some of the leases with purpose listed as disposition were
21 identified with lease numbers. Staff explained that the lease on Oahu was expired, and the
22 lessee left the premises and one parcel on Hawaii Island was cancelled. All the leases on Maui
23 were new leases and did not have lease numbers.

24
25 **Motion to Approve Request for Acceptance of Annual Lease Rents as Determined by**
26 **Independent Appraisal for New Leases: Mina/Cabral**

27
28 Discussion:

29 Board Member Mina asked about the designation of non-ag park on Maui. Chair explained that
30 the parcels were Act 90 transfers from DLNR.

31
32 Board Member Comerford noted the discrepancy in values between the islands and asked what
33 valuation method the consultant had used to determine the fair market rent. Ms. Linda Murai,
34 ARMD, answered that the appraisals were based on market values of comparable real estate.
35 Board Member Comerford asked if it was based on best use to which Ms. Murai answered that
36 it was based on raw land value; any improvements on the property and the potential crop to be
37 grown were not considered. She further explained that the Maui parcels were pastureland, and
38 the use impacted the value. Board Member Comerford commented that the Oahu rents
39 seemed high relative to rents around the country. He added that he recognized the unique
40 situation but usually the type of crop would be one of the determining factors for the valuation.
41 As an example, if the crop was ornamentals in Waimanalo, he would understand the valuation.
42 Ms. Murai explained that the appraisals were based on the market value of real estate. She
43 said that Waimanalo was a highly desirable area, and the appraisals were based on recent
44 sales prices. She also confirmed that the appraisals were based on agricultural use and not
45 highest and best use.
46

1 Board Member Evans voiced concern that potential for Ag income should not be related to fair
2 market value for ag use but should be based on the potential for crops or ranching. She
3 explained that in Waimanalo, many fee simple lots that had an ag covenant (which expired in
4 2002) on them are now being used for residential purposes driving up the land value even
5 though it is in an ag district. She felt the department should allow farmers to be able to farm
6 without having to pay a value based on the demand for property and it was contradictory that
7 farms close to market have reduced transportation costs, but the parcels cost more.

8
9 Board Member Case commented that the value of a farm parcel is different when also used for
10 housing. She also said that by second guessing the appraised prices, they would be interfering
11 with the process.

12
13 Board Member Young stated that the Board passed rent terms a few months ago based on
14 appraisals and was now contemplating different agreements between different sets of farmers.
15 He felt that it was not the proper vehicle for rent relief. He asked staff if there were any plans
16 outside of rent relief that could ameliorate the effects of the pandemic outside of the Board
17 continuing to defer action on rental acceptance.

18
19 Chair said that the consideration for new rents was deferred because the Board wanted to
20 confer with DAG Bryan Yee, who was travelling during the last Board Meeting, for advice on
21 what was required by statute.

22
23 Board Member Cabral referred to the prior minutes where Mr. Kau said that the appraisals were
24 based on unimproved, vacant land. He wanted clarification on the appraisal process because if
25 that was the case, housing should not be included in the appraisal. Ms. Murai confirmed that it
26 was based on unimproved, vacant land and announced that the appraiser, Mr. Ted Yamamura,
27 from ACM Consultants, was available to answer any technical questions.

28
29 Board Member Cabral questioned if a there was a prior operation, for example a nursery with
30 infrastructure, would the infrastructure be considered. Mr. Yamamura answered that only
31 vacant land transactions were utilized, no improvements, whether site or structural were
32 included. The comparables used were vacant land sales compared to the leased properties,
33 and improvements were not included.

34
35 Board Member Comerford asked if the approach was a common because to his knowledge, the
36 rents on crop land is usually related to the crop and productivity of the land. Mr. Yamamura
37 replied that the appraiser is bound by the provisions in the statutes and rules, HRS 166-11 and
38 HAR 4-153 and 4-158, which give clear instructions to the appraiser.

39
40 Board Member Case asked if existing structures on the land would be appraised. Mr.
41 Yamamura replied that improvements were excluded. Board Member Case asked if it would be
42 a fair price if a Waimanalo farm lot included a house. Mr. Yamamura answered that if the
43 appraisal assignment was to determine annual rent plus improvements, then it would reflect
44 both land and improvement rental values. If their assignment was to determine only the land
45 value and land rental, then that is what would be provided.

46

1 Board Member Case asked about the appraisal assignment. Chair answered that the
2 appraisals were based on vacant land to provide the most affordable rent.

3
4 Mr. Brian Kau, ARMD Administrator said that the language is "reasonable" rent; he added that
5 they had explored other methods of appraising the land, which included breaking out specific
6 amounts for farm dwellings for an income-based approach, but higher rent values resulted. He
7 said statues did not require the division to use highest and best use values and the division
8 wants to encourage and promote agriculture. Because they do not have to deal with highest
9 and best use, he feels they can provide what is best for their lessees.

10
11 Board Member Mina said he questioned whether the highest and best use would be keeping a
12 farmer in business. Farming has so many variables and crops yields cannot be consistently
13 projected. Not saying the appraisal was not fairly done but that it seemed like a systemic issue
14 and the issue of infrastructure to have ag in Hawaii without the farmer being squeezed should
15 be investigated.

16
17 DAG Bryan Yee asked for clarification from Mr. Kau and Mr. Yamamura. Regarding rent
18 reopening and lease extensions, existing structures are not included because they are done by
19 the farmer after the initial lease is awarded. For rent reopening and lease extensions the house
20 would have typically been built by the farmer. Mr. Kau answered, yes, but sometimes there is a
21 structure left by a previous tenant.

22
23 For new leases, if someone left the property and then it was leased out, there may be a house
24 on the property; DAG Yee asked if the value of the house would be included in the upset price
25 for subsequent lease extensions or reopenings.

26
27 Mr. Kau stated that in the past, every other appraisal method resulted in a higher upset price for
28 the tenant. He emphasized that appraising land for the highest and best use will result in higher
29 rent for the tenant.

30
31 DAG Yee commented that whomever bids would have to outbid someone else who wanted the
32 house. Mr. Kau stated that the process is not a public auction but a closed, sealed bid awarding
33 the best and final offer. DAG Yee continued, if someone is bidding on two different lots, one
34 with a house and one without, they would bid more on the one with a house. If the rent
35 reopening does not include the price of the house, he asked the likelihood that the rent would
36 increase if it does not include the value of the house. The initial sealed bid will likely be higher
37 than the appraised amount because they will bid more than the upset price. When the lease
38 goes to rent reopening solely based on a vacant lot, what is the likelihood that will result in an
39 increased price.

40
41 He asked Mr. Yamamura if the process used for a new lease was based on a vacant lot even if
42 there was a house on the lot. Mr. Yamamura replied, not necessarily and explained that if there
43 was a house on the property, the land agent would inform the appraiser on whether to include
44 the house.

45
46 DAG Yee said in this case, all the lots are vacant so the question could be revisited. He asked
47 if it was based on highest and best ag use. Mr. Yamamura agreed.

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When looking for comparables, DAG Yee wanted to know if the appraiser looked at lots that could be used for houses. Mr. Yamamura replied that Honolulu Ag zoning ordinance permits residential uses and whether to consider it was immaterial because it is allowed by the zoning ordinance. If valuing vacant land and using vacant land sales that are zoned ag, then the consideration of single-family use is already included.

DAG Yee asked if DOA had limited use to prohibit farm dwellings, it would have to be considered in analysis of comparables. Mr. Yamamura agreed.

DAG Yee asked if the appraiser compared ag lots to other ag lots that did not allow housing. Mr. Yamamura replied, no. DAG Yee wanted to know how the appraiser considered whether housing was allowed on particular lots. Mr. Yamamura explained that if they are open market lots, not under government control and are ag zoned, they permit single-family residential use. HRS 166 requires the appraiser to determine fair market value of the land based on comparable vacant land sales. The annual lease rent, rate of return, is based on the fee-simple market value. Rate of return addresses lease limitations, beginning with the market value of the land.

Board Member Case asked staff if the new auction parcels had dwelling structures on them. Ms. Murai said that the Kula pasture lots were vacant, and the Oahu lot did not have any permitted structures. Ms. Joyce Wong, said that the parcel on the Hawaii lot identified as S-4754 included a framed utility shed and a carport opening, gravel floor, another shed with roof but no dwelling.

Board Member Case did not have any concerns if there were no homes on the lots. She said it was a theoretical issue and important in appraisal instructions, but she does not have a problem with them. She said she agreed that to promote farming they should charge something focused on farming use and not highest and best use.

Board Member Evans asked how long it had been since HRS 166-9 and 166-6 (e) had been amended. She felt that the basis may have been logical at the time the statutes were created but now the huge gap between housing supply and demand has changed the basis for land and farm income is not going to keep up with the value of a lot with a farm dwelling on it. She felt that for Oahu, farm income for types of crops that can be grown on comparable lots would be a better way.

DAG Yee said that HRS 166-11 was created in 1996 and allows the department to enter into negotiations for leases. HRS 166-6, requiring consideration of appraisals came into effect in 1986 and amended various time since.

Mr. Mark Fukui, owner of a tree nursery in Waimanalo said that he thinks the appraisal was taken out of context. He said his Ag I lot was being compared to three Ag II sales. He said that rent should be considered in the context of the struggles that the farmers go through and not the Ag II market. He said that he does not want the rent increase to set a precedent that would prevent current farmers from farming or promote certain types of farming that would prevent future farmers from affording the land.

1
2 **Motion to go into executive session to get advice from the Deputy Attorney General**
3 **regarding the Board's Authority: Evans/Cabral**

4
5 **Vote: Approved, 9-0**
6

7 The meeting was recessed at 10:00 a.m. for the Board to go into Executive session

8
9 The meeting resumed at 10:49 a.m. with 9 Board Members present.

10
11 Chair repeated the motion:

12 **Motion to accept the annual rents as determined by independent appraisal for new leases**
13 **for parcels identified for the purpose of "Disposition".**

14
15 **Vote: Approved; 9-0**
16

17 **Motion to accept annual lease rent by independent appraisal for rent reopenings, lease**
18 **conversions and extensions: Cowell/Comerford**

19
20 Discussion:

21
22 Board Member Evans voted with reservations with a suggestion that staff take a new look at
23 appraisal instructions and to incorporate the potential for farm income vs. land value
24 comparable approach.

25
26 Board Member Ley voted with reservations, asking Chair to direct staff to reach out to the
27 lessees that will be receiving the rental increase and let them know about process to claim
28 hardship and to expedite any requests received

29
30 Board Member Mina voted with reservations and would appreciate if staff would communicate to
31 lessees where money will go and what it will be used for as far as infrastructure and staff use.
32 In addition, get involved in changing statutes to have a legislature more supportive of the
33 Department of Agriculture to serve the farmers.

34
35 Cabral voted with reservations to encourage farmers to seek relief from the Department.

36
37 **Vote: Approved, 9-0; (with reservations-Evans, Ley, Mina, Cabral)**
38
39

- 40
41 2. Request for Consent to Assignment of General Lease No. S-3764; Hawaiian
42 Floral Nursery, LLC, Lessee/Assignor, to Scotland C. Willson, Assignee; TMK: (1)
43 4-1-010-008, Koolaupoko, Waimanalo, Island of Oahu, Hawaii.

44
45 Linda Murai, HDOA/ARMD presented testimony as submitted.
46 Staff Recommendation: Approval
47

1 **Motion to Approve: Evans/Mina**

2
3 Public Testimony: None

4
5 Discussion:

6 Board Member Evans wanted to know the definition of a negative net consideration. Ms. Murai
7 explained that the value of inventory exceeds the purchase price so any premium due by the
8 assignee to the state is zeroed out.

9
10 Board Member Case asked how the inventory was valued. Ms. Murai said that the figure was
11 provided by the lessee. They are an organic nursery, required to keep a running inventory
12 value, which they provided as backup. The inventory was all plants and did not include the
13 house. She further explained that they are well known in the community and the property is
14 mostly shadehouses and a modest house.

15
16 **Vote: Approved; 9-0**

- 17
18
19 3. Request for Approval of Extension of Lease and Consent to Assignment of
20 General Lease No. S-4008; Walter Fook Loy Chong, Trustee, and Evelyn Meu
21 Lang Chong, Trustee, Lessee/Assignor, to Sustainable Ideation, LLC, Assignee;
22 TMK: (1) 4-1-027:014, Koolaupoko, Waimanalo, Island of Oahu, Hawaii.

23
24 Roy Hasegawa, HDOA/ARMD presented testimony as submitted.

25 Staff Recommendation: Approval

26
27 **Motion to Approve: Mina/Evans**

28
29 Public Testimony: None

30
31 Discussion:

32 Board member Evans described the location against the Pali being steep with ridges and
33 valleys and a challenging spot to farm.

34
35 **Vote: Approved; 9-0**

- 36
37
38 4. Request for Consent to Assignment of General Lease No. S-5586; Big Island Dairy,
39 LLC, Lessee/Assignor, to Hawaii Secure Foods, LLC (HSF), Assignee; TMK Nos: (3)
40 3-9-001:001, 002; (3) 3-9-002:007, 008; (3) 4-1-001:006 and (3) 4-1-005:001, North
41 Hilo, Island of Hawaii, Hawaii.

42
43 Brandi Ah Yo, HDOA/ARMD presented testimony as submitted.

44 Staff Recommendation: Approval

45
46 **Motion to Approve: Ley/Cabral**

47

1 Public Testimony:

2 Senator Laura Acasio, testified, verbally and in writing, in support of the assignment. She said
3 that she visited the site and met with the Bucks. They have a vision and conscientious
4 approach to reaching out to the community. Her office will work to engage the in-community
5 partnerships.
6

7 Nicole Milne, The Kohala Center, supported of the assignment both verbally and in writing. She
8 said Kea's dedication to the dairy industry and Buck's commitment to Hawaii's food security
9 during the pandemic and before. HSF has expertise industry partners, and they look forward to
10 assisting them.
11

12 Michelle Galimba, Kuahiwi Ranch, stood on her written testimony in strong support of the
13 assignment.
14

15 Discussion:

16 Board Member Evans asked if HSF planned to create their value-added products on site. Mr.
17 Chad Buck replied that the facility is made of state-of-the-art equipment. They are excited to
18 make the equipment available not only for artisan operation but for the butters, yogurts, etc. in
19 addition to value added addition to the dairy industry. He hoped they could inspire small dairy
20 operators around the state to take their milk to market via value-added products. Currently, the
21 plan is to do that on-site.
22

23 Board Member Mina asked if they planned to mob graze cows. Mr. Buck said that they will be
24 doing rotational grazing.
25

26 Board Member Ley acknowledged parties that have come together to save another dairy.
27

28 **Vote: Approved; 9-0**
29
30

- 31 5. Resubmittal Request for Approval of Extension of Lease Term, General Lease Nos.
32 S-7000, S-7014, S-7015 and S-7016; Hawaii Beef Lease, LLC (HBL), Lessee; TMK:
33 3rd Div/4-3-005:002; 3rd Div/4-3-005-002-5002; 3rd Div/4-3-005-002-5003 and 3rd
34 Div/4-3-005-002-5004, Hamakua Agricultural Park, Pohakuhaku and Kemau 1st,
35 Hamakua District, Island of Hawaii, Hawaii.
36

37 Brandi Ah Yo, HDOA/ARMD made a correction to the first paragraph of the submittal under
38 background regarding the succession of leases as follows:
39

40 *"On November 2, 1995, the Board of Agriculture (BOA) awarded General Lease No. S-*
41 *7000, a 35 direct-year lease to Hawaii Beef Packers, Inc. On September 16, 2003, the BOA*
42 *consented to the assignment of General Lease No. S-7000 from Hawaii Beef Packers, Inc. to*
43 *Hawaii Beef Producers, LLC. On June 30, 2020, the BOA consented to the assignment of*
44 *General Lease S-7000 from Hawaii Beef Producers, LLC to Hawaii Beef Lease, LLC.*
45

46 *On June 30, 1998, the BOA awarded 35 direct-year leases to Hawaii Beef Packers, Inc.*
47 *under General Lease Nos. S-7014, S-7015 and S-7016. On September 16, 2003 the BOA*

1 consented to the assignment of General Lease No's S-7014, S-7015 and S-7016 from Hawaii
2 Beef Packers, Inc to Hawaii Beef Producers, LLC. On June 30, 2020, the BOA consented to
3 the assignment of General Lease No's. S-7014, S-7015 and S-7016 from Hawaii Beef
4 Producers, LLC to Hawaii Beef Lease, LLC"

5
6 Staff Recommendation: Approval

7
8 **Motion to Approve: Ley/Cabral**

9
10 Public Testimony:

11
12 Scott Enright, representing Hawaii Beef Lease (HBL) and Hawaii Sustainable Beef (HSB) said
13 the backend of the cattle industry, the slaughter and value added, have not made economic
14 sense in decades. Therefore, they have not been able to attract the private capital needed to
15 upgrade the facilities and a history of failures have led to the state owning the two largest
16 slaughter facilities in the state. HSB has come forward with private capital. Board awarded
17 lease extension for the Campbell facility. After that was done, close to \$15 million in
18 improvements have been input into the facility. HSB would like to do the same thing for Paauilo.
19 The lease extension requested would allow the justification of the capitol that is needed to bring
20 the facility up to where it should be to service the cattle industry.

21
22 Mr. Frank VanderSloot made an opening statement. He is one of the owners of HSB operating
23 the plant on Oahu and the plant in Hilo. Why he wants to do it: He said that he grew up on a
24 ranch and believes in the industry.

25
26 He said there is not enough capacity in Hawaii to process the cattle. He paid off all Kunoa's bills
27 and came to the Board to extend the lease on the Oahu plant. In 12 months, by his infusion of
28 money, the building was refurbished with state-of-the-art equipment and kept everyone
29 employed.

30
31 He would like to renovate the Paauilo facility. He said that 80% of all beef goes to Parker
32 Ranch and Kuahiwi Ranch. He promised that they would not reduce anything. They have done
33 everything to increase the capacity, but the bottleneck is the hotbox where they have 24 hours
34 to cool the carcass. They are processing at their max. There's a big demand for local beef, but
35 they cannot increase production without increasing the hotbox. The roof and the well also need
36 to be repaired. They can't afford to do that with only 9 years left on the lease and is asking for
37 the lease extension to make the investments. He said that if they are granted the extension,
38 they will do everything quickly and get the operation running so that can do a larger percentage
39 of the cattle in Hawaii.

40
41 Dutch Kuyper, CEO, Parker Ranch, stood on his written testimony and said that the lease
42 extension request is an attempt to preserve the gains over the market and to control the market
43 for beef cattle on Hawaii Island. One major plant has 90% of capacity and there is no
44 alternative. The plant generates about \$1 profit per year attributable to toll processing
45 arrangement that Parker Ranch has with HBP. The operator will argue for efficiencies but
46 asked that to keep in perspective is that the operating cost of the plant is \$2.5 million per year
47 but the retail value of the beef is \$25 million to \$30 million per year. 10% improvement in

1 efficiency would only add up to about \$250,000 savings. He said it is about controlling market
2 access. 35% of plant capacity is dedicated to toll processing. It was higher before the new
3 owners took over. Locally branded beef generates a premium. Direct contract ensures that
4 there is a 3rd market for cattle in Hawaii. Toll processing fees increased over 50% and prices
5 only increased 20%. They ranch absorbs the difference. They make less money in Hawaii than
6 on the mainland. The packer has used their market to drive up processing fees and extract
7 profits out of them. 3rd market, direct contract, is an innovation led by Parker Ranch. They were
8 replicating Kuahiwi. The Big Island is 70% of statewide capacity. They want to make sure their
9 3rd market is preserved. He said that the recommend that 35-40% of the capacity of the plant
10 (section 9) reflect current market conditions available for toll processing. He reserved the right
11 for a contested case. 2:54:58

12
13 Michelle Galimba: Kuahiwi Ranch, testified that the Ranch is in favor. As a producer, she said
14 she does not want to go back to the bad old days. She expressed appreciation for Mr.
15 VanderSloot, but added that processing services should be preserved.

16
17 Discussion:

18 Chair recapped the testimonies: 45 in support; 1 opposition, 1 appreciates intent. 2 additional
19 late testimonies in support.

20
21 Board Member Mina said that he appreciated Mr. VanderSloot's passion and would vote in
22 support.

23
24 Board Member Cabral commended the applicant's efforts in the slaughterhouse issue. He said
25 that he is a small rancher and understands the challenges. He asked if toll processing services
26 would be continued.

27
28 Mr. VanderSloot replied in the affirmative and said that the biggest processor is Parker Ranch.
29 He said that there were no plans to remove toll processing and committed to continuing. He
30 added that Parker Ranch wants a larger piece of the pie, but they need to make the pie bigger
31 rather than cut someone else. Toll processing, especially for Parker Ranch, is the key. Priority
32 is to keep it intact and he would commit in writing. There was only one request for additional toll
33 processing from Ms. Galimba but they can't do it yet because they need more room. It's not a
34 part of the current model in what they can do; they would be happy to consider new processing
35 but need a larger plant. He said they will not cutback on Parker Ranch.

36
37 Board Member Cabral stated that Jill Mattos said to put more animals through the Big Island
38 plant, they would have to send more carcasses to Oahu to free up more room. Oahu can take a
39 lot more cattle from the Big Island. Demand from Restaurants is to have beef processed on
40 Oahu.

41
42 Board Member Case asked if the volume for Parker Ranch and Kuahiwi Ranch would be
43 maintained.

44
45 Mr. VanderSloot said that everyone would be kept intact and they would expand. The debate is
46 who the expansion will go to. They will continue to do toll processing for Parker Ranch.

47

1 Board Member Case asked if there was a way to condition approval to assure the existing retail
2 arrangements would be kept in place.

3
4 Mr. VanderSloot said that they are committed to Parker Ranch, the community and the Board.
5 He did not want to renegotiate the lease.

6
7 Board Member Young said that he was not opposed to the prospect or idea of conditioning the
8 lease but would not want to start having that done at the Board level. He said that the Board
9 was not privy to everything going on in the lease negotiations and did not want to set a
10 precedent to circumvent lease negotiations by coming to the Board.

11
12 Board Member Mina asked Mr. VanderSloot what was done with the offal.

13 Mr. VanderSloot answered that some are sold but the rendering facility will enable more use.

14 Board Member Mina asked about composting. Mr. VanderSloot said that compost was a viable
15 way but they would need to upgrade the waste process.

16
17 Mr. VanderSloot stated that they were not asking or amicable to opening or negotiating the
18 lease. He hoped that the Board would have confidence in them not cutting players short in any
19 way.

20
21 Board Member Ley appreciated Mr. VanderSloot coming forward with resources and energy
22 and promises and commitment to keep moving forward. She also expressed appreciation for
23 the Hawaii Cattlemen's Council and HBL and said that raising cattle is one thing but getting from
24 field to table is complex.

25
26 Mr. VanderSloot said he could provide an annual report. The current lease requires them to
27 harvest but does not require them to process. They cut up the carcass even though they are
28 not required to. He is willing to commit to and continue toll processing. He said they do a lot
29 that they are not required to do because they want to expand and need they beef in order to
30 expand. To keep cattle from going to the mainland, they need to pay more money. He
31 reiterated that they would make a commitment but did not want to renegotiate the lease. They
32 are not asking for State money or doing it to get a return on the investment.

33
34 Board Member Case commented that Hawaii Island needs an expanded beef processing
35 facility. The request is to extend the lease 20 years. It is an early request to extend because
36 lease has 9 years left. If the investment is going to be made, Mr. VanderSloot wants to know
37 that he can amortize the investment. They intend to keep the existing retail arrangements in
38 place. She asked how the anticipated production payment to the ranchers compare to the
39 shipping cattle to the mainland.

40
41 Mr. VanderSloot said that they believe that they have a financial model that will work. A lot must
42 change for the ranching community to raise market cattle. Currently, they have cow/calf
43 operations and no market cattle. It's comparing apples to oranges. They send a baby calf to
44 the mainland. They must send a calf that fits into the container. People make the choice to
45 send cattle to the mainland and put them in feedlot on the mainland. To entice them to keep
46 cattle on the island, they will have to have prices to do that. There is an immediate need to
47 process cull cattle. To be competitive, they must offer enough money to move forward with them

1 rather than being sent to the mainland. He said that they are committed, and he is excited
2 about what it could do for Hawaii.

3
4 Board Member Comerford said that the biggest problem is putting barriers in the way of getting
5 it done. He hoped that they could encourage entrepreneurs. He indicated that he would vote
6 for the extension and added that no state money would be used.

7
8 Board Member Ley said that assurance for access to local markers was a sore spot. She
9 asked, if the lessee was willing, could the state move quickly to add a new section. She asked if
10 Mr. VanderSloot was willing to put something in writing.

11
12 Mr. VanderSloot was not willing to reopening negotiations. He was willing to commit to the
13 Board.

14
15 Board Member Case said that if the Board had to power to condition the lease extension and
16 asked if they could make an amendment to do that.

17
18 Chair asked if it was legal to put something in writing in the lease.

19
20 DAG Yee answered that it could not be done without mutual consent. He said Board could
21 disapprove the extension or add conditions. If the lessee agrees, it would be executed. If the
22 lessee does not agree, then it would not be executed

23
24 Board Member Cabral said that anyone could have bought the plant. He asked why the
25 discussion was going round and round when there was someone willing and with the
26 background to do it. He said a lot of the small ranchers are in support.


27
28 **Vote: Approved; 9-0**

29
30
31 V. OLD BUSINESS
32 None.

33
34 VI. NEW BUSINESS

35 At next meeting, Board Member Mina will share information updates on the Soil Health
36 Initiative and there will be an update from the Agribusiness Development Corp.

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1 VII. ADJOURNMENT OF MEETING: Mina/Ley
2 Approved; 9-0
3 The meeting was adjourned at 12:45 pm
4
5
6 Respectfully submitted,
7 
8
9 Jan Ferrer
10 Board Secretary
11