
A BILL FOR AN ACT

RELATING TO AGRICULTURE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The cost of feed for livestock production in
2 Hawaii can constitute up to seventy per cent of total production
3 costs, whereas feed costs for mainland producers amount to
4 nearly fifty per cent of total production costs. In 2007, there
5 were five dairies and six egg farms of significant size in
6 Hawaii, with combined gross annual revenues of \$26,400,000.
7 Currently, there are only two dairies and four egg farms of
8 significant size, with combined gross annual revenues of
9 \$16,250,000. Since 2007, two dairies and four egg farms have
10 gone out of business, primarily due to the rising cost of feed
11 for livestock animals and the resulting increases in production
12 costs. Since October 2010, the cost of poultry feed alone has
13 increased approximately \$60 per ton and is expected to rise even
14 further.

15 Currently, one dairy and the four remaining egg farms are
16 threatened by closure. Such closures heighten the State's
17 dependence on imported foods and threaten the State's food
18 security and ability to achieve adequate levels of agricultural



1 self-sufficiency. Self-sufficiency is critical to Hawaii's food
2 security and its ability to respond effectively in the event of
3 natural disasters or disruptions in transportation.

4 The closure of local dairies and poultry farms also means
5 that children and adults throughout the State will no longer
6 have the option of selecting fresh, locally produced milk and
7 eggs. Consumers have often expressed interest in obtaining
8 locally produced milk but, unfortunately, the dairies do not
9 produce enough milk to meet consumer demand. The public has
10 expressed a similar interest in island-fresh beef, pork, sheep,
11 lamb, chicken, eggs, and seafood.

12 Locally produced fresh beef, milk, pork, lamb, chicken,
13 eggs, and seafood provide essential nutrition to consumers.
14 Transport times from offshore farms to Hawaii consumers create a
15 greater risk of food spoilage and resultant food-borne illnesses
16 due to the highly perishable nature of these products. Without
17 these local agricultural businesses, all beef, milk, pork, lamb,
18 chicken, and eggs would have to be imported into the State,
19 requiring up to ten days of shipping before being sold to
20 consumers. This increased shipping time reduces the expected
21 shelf life of fresh milk and eggs in particular.



1 The purpose of this Act is to provide funds to allow
2 qualified beef cattle, dairy, hog, poultry, goat, sheep, fish,
3 and crustacean producers to apply for and receive a
4 reimbursement for a percentage of each farm's feed expenses and
5 to provide funds to allow qualified developers of feed to
6 receive reimbursement for a percentage of the farm's feed
7 development expenses. With financial support, the livestock
8 industry will be able to continue to make investments in modern
9 equipment, expand and improve herds and flocks, and develop new
10 markets and products. This financial support will serve a
11 public purpose by enabling the livestock industry to stabilize
12 its operations, thereby contributing to food security and
13 increasing the competitiveness of the local livestock industry
14 with mainland suppliers.

15 SECTION 2. Chapter 155D, Hawaii Revised Statutes, is
16 amended by adding a new section to be appropriately designated
17 and to read as follows:

18 "§155D- Grants; qualified feed developer. (a)
19 Applications for grants by qualified feed developers shall be
20 submitted on a form furnished by the department and shall be
21 filed with accompanying documentation of feed development costs;
22 provided that:



1 (1) The applicant shall comply with applicable federal and
2 state laws prohibiting discrimination against any
3 person on the basis of race, color, national origin,
4 religion, creed, sex, age, sexual orientation, or
5 disability;

6 (2) The applicant shall have applied for or received all
7 applicable licenses or permits;

8 (3) The applicant shall indemnify and hold harmless the
9 State and its officers, agents, and employees from all
10 claims arising out of or resulting from the feed sold;

11 (4) The grant shall not exceed a total of \$225,000 per
12 qualified feed developer per year; and

13 (5) The department may request an applicant to provide
14 necessary information for the purposes of verifying
15 actual sales to qualified producers.

16 (b) Documentation of animal feed development costs, as
17 requested by the department, shall be filed for feed developed
18 within the immediate preceding fiscal quarter of filing and
19 shall be effective for feed development costs incurred after
20 July 1, 2013.

21 (c) The applicant shall submit a quarterly financial
22 statement of farm revenues and expenses along with other



1 supporting documents as deemed necessary by the department, and
2 filed with the documentation of the feed development costs. An
3 annual financial statement shall be filed with the department
4 within ninety days following the close of the business' fiscal
5 year after June 28, 2013, for final reconciliation of any
6 reimbursement paid during the previous three quarters within the
7 fiscal year. The financial statements shall be certified as
8 accurate by the applicant and the preparer of the financial
9 statement on forms prepared by the department.

10 (d) Funds shall be disbursed upon approval by the
11 department to the qualifying feed developer for up to fifty per
12 cent of the feed development costs incurred.

13 (e) Feed development costs shall be limited to only the
14 feed developed for qualifying producers and shall not include
15 the feed developed for resale or gift, or the cost of
16 transportation to Hawaii. In no case shall costs be reimbursed
17 to a qualified feed developer when, after evaluation and
18 verification by the department, the department determines that
19 the amount of reimbursement will result in an annual profit of
20 more than ten per cent.



1 (f) The department shall aggregate the total grant claims,
2 pursuant to this section and section 155D-2, and divide and
3 distribute the available grant funds on a pro rata basis."

4 SECTION 3. Section 155D-1, Hawaii Revised Statutes, is
5 amended as follows:

6 1. By adding a new definition to be appropriately inserted
7 and to read:

8 "Qualified feed developer" means any person that at the
9 time of application of and disbursement of funds under this
10 chapter is in the business of cultivating feed crops to be sold
11 to qualified producers."

12 2. By amending the definition of "milk" to read:

13 "Milk" means the lacteal secretion, practically free from
14 colostrums, obtained by the milking of healthy cows or goats
15 normally produced or marketed through the channels of the fluid
16 milk trade[-] or for further processing into milk products."

17 3. By amending the definition of "qualified producer" to
18 read:

19 "Qualified producer" means any person that at the time of
20 application for and disbursement of funds under this chapter is
21 in the business of producing:



- 1 (1) Milk from a herd, located in Hawaii, of not less than
2 ~~[three hundred fifty]~~ ten cows~~[r]~~ or twenty-five
3 lactating milking goats;
- 4 (2) Poultry products from a flock, raised and located in
5 Hawaii, of not less than ~~[three thousand]~~ thirty
6 birds;
- 7 (3) Pork from a herd, raised and located in Hawaii, of not
8 less than ~~[fifty]~~ ten sows; ~~[or]~~
- 9 (4) Beef~~[r]~~ that is grown, slaughtered, processed, and
10 marketed in Hawaii. Producers who finish at least
11 ~~[one hundred]~~ twenty head of beef cattle annually
12 shall be eligible for this program~~[r]~~;
- 13 (5) Sheep or lamb that are grown, slaughtered, processed,
14 and marketed in Hawaii, with current annual sales of
15 not fewer than thirty sheep or lambs; or
- 16 (6) Fish or crustaceans, with current annual sales of not
17 less than two thousand pounds."

18 SECTION 4. Section 155D-2, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "[~~+~~]~~§~~155D-2~~+~~ Grants; qualified producer. (a)

21 Applications for grants by qualified producers shall be
22 submitted [~~+~~]on~~+~~] a form furnished by the department and shall



1 be filed with accompanying documentation of animal feed costs;
2 provided that:

3 (1) The applicant shall comply with applicable federal and
4 state laws prohibiting discrimination against any
5 person on the basis of race, color, national origin,
6 religion, creed, sex, age, sexual orientation, or
7 disability;

8 (2) The applicant shall have applied for or received all
9 applicable licenses or permits;

10 (3) The applicant shall indemnify and hold harmless the
11 State and its officers, agents, and employees from all
12 claims arising out of or resulting from the feed
13 purchased;

14 (4) The subsidy shall not be allowed within a fiscal
15 quarter if the flock or herd size or, in the case of
16 fish or crustaceans, sale weight, falls five per cent
17 or more below the required minimum of:

18 (A) [~~Three thousand~~] Thirty birds;

19 (B) [~~Three hundred fifty~~] Ten cows;

20 (C) [~~Fifty~~] Ten sows in any two months of the
21 applicable fiscal quarter; [~~or~~]



- 1 (D) [~~One hundred~~] Twenty finished beef cattle
- 2 annually;
- 3 (E) Twenty-five lactating milking goats; or
- 4 (F) Sales of five hundred pounds of fish or
- 5 crustaceans in the applicable fiscal quarter;
- 6 (5) The grant shall not exceed a total of \$250,000 per
- 7 qualified producer per year; and
- 8 (6) The department may request an applicant to provide
- 9 necessary information for the purposes of verifying
- 10 flock or herd size or sale weight, as applicable, and
- 11 feed purchases.
- 12 (b) Documentation of animal feed costs, as requested by
- 13 the department, shall be filed for feed purchased within the
- 14 immediate preceding fiscal quarter of filing and shall be
- 15 effective for feed costs incurred after July 1, [~~2007-~~] 2013.
- 16 (c) The applicant shall submit a quarterly financial
- 17 statement of farm revenues and expenses along with other
- 18 supporting documents as deemed necessary by the department, and
- 19 filed with the documentation of the feed costs. An annual
- 20 financial statement shall be filed with the department within
- 21 ninety days following the close of the business' fiscal year
- 22 after June 28, [~~2007~~] 2013, for final reconciliation of any



1 reimbursement paid during the previous three quarters within the
2 fiscal year. The financial statements shall be certified as
3 accurate by the applicant and the preparer of the financial
4 statement on forms prepared by the department.

5 (d) Funds shall be disbursed upon approval by the
6 department to the qualifying producer for up to:

7 (1) Sixty per cent of the feed costs incurred for
8 production of poultry products;

9 (2) Forty per cent of the feed costs incurred for milk
10 production;

11 (3) Fifty per cent of the feed costs incurred for pigs
12 raised in Hawaii and slaughtered for local consumption; or

13 (4) Fifty per cent of the feed costs for beef cattle
14 raised in Hawaii and slaughtered in Hawaii for local
15 consumption.

16 (e) Feed costs shall be limited to only the feed fed to
17 the qualifying flock or herd and shall not include the feed
18 purchases for resale or gift, or the cost of transportation to
19 Hawaii. In no case shall costs be reimbursed to a qualified
20 producer when, after evaluation and verification by the
21 department, the department determines that the amount of
22 reimbursement will result in an annual profit of more than:



- 1 (1) Twelve per cent for milk producers;
- 2 (2) Eight per cent for poultry producers;
- 3 (3) Eight per cent for pork producers; or
- 4 (4) Eight per cent for beef producers.
- 5 (f) The department shall aggregate the total grant claims,
- 6 pursuant to this section and section 155D- , and divide and
- 7 distribute the available grant funds on a pro rata basis."

8 SECTION 5. There is appropriated out of the general
 9 revenues of the State of Hawaii the sum of \$ or so much
 10 thereof as may be necessary for fiscal year 2013-2014 and the
 11 same sum or so much thereof as may be necessary for fiscal year
 12 2014-2015 for the agricultural development division of the
 13 department of agriculture to:

- 14 (1) Reimburse qualified producers of milk, pork, eggs,
- 15 poultry, beef, lamb, and seafood, for the cost of feed
- 16 for beef cattle, dairy cows or goats, sheep, hogs,
- 17 fish, crustaceans, and birds;
- 18 (2) Reimburse qualified feed developers for the costs of
- 19 development of feed for sale to qualified producers;
- 20 and
- 21 (3) Provide funding for the administrative costs of the
- 22 livestock revitalization program.



1 The appropriations made for the purposes authorized under
2 this section shall not lapse at the end of the fiscal year for
3 which the appropriations are made; provided that any balance of
4 any appropriation that is not encumbered as of June 30, 2016,
5 shall lapse as of that date.

6 The sums appropriated shall be expended by the department
7 of agriculture for the purposes of this Act.

8 SECTION 6. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 7. This Act shall take effect on July 1, 2050.



Report Title:

Livestock Feed Subsidy; Livestock Feed Developer Subsidy;
Appropriation

Description:

Expands livestock feed subsidy to include feed for goats, sheep, lambs, fish and crustaceans. Creates a subsidy for qualified feed developers. Appropriates funds. Effective July 1, 2050.
(HB487 HD2)

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