Meeting held at DOA Plant Quarantine 8-10:30 am.

Present: Anne Lo-Shimazu, Warren Suzuki, Scott Matsuura, Alfredo Lee, Ray Sakai, Loren Diven, Bill Paty, Paul Schwind, Dean Uchida, Yoshi Tanabe, Ruby Edwards, Jeffrey Melrose, Earl Yamamoto, Dean Okimoto, Donna Wong, Jane Yamashiro

General Discussion:

Ag feasibility is a discussion of agriculture as a business
- Feasibility based on viability as a business, not subsidized
- Need overall approach to make ag viable statewide
- Look at common threads, not commodity specific
  - New concept new for many
    - Subsistence farmer is no different than large ag because they must be successful in business
    - Ag is a business and farmer must understand basics of business, market etc.
    - Look at the issues and assumptions that make ag feasible, including that some ag will fail
- Not all ag is considered a business. There is active ag for cultural, historical and subsistence purposes and they are just as viable and important to the ag landscape.
  - Not a social good unless it is a successful enterprise

Issues relating to ag as a business

- Transportation
  - Eventually the ag industry can handle its own transportation but in the beginning will need subsidy
  - The perception is that sugar and pine are large enough so can support itself
  - Need to look at general components that all segments of ag – small, medium, large – have in common

- Tax
  - City and County of Honolulu
    - Tax department(s) and dedication system make small farmers fill out complicated forms
    - Small farmers don’t understand why this is necessary or the process
    - Need to make sure farmer has land dedicated
    - It is a burden on the landowner to ensure that farmers fill out forms to dedicate land
    - City (Honolulu) ordinance – Bill 10 requires land to be dedicated, but has unintended consequences
      - If a farmer can’t continue to farm then taxes roll back with regular tax rate retroactive to highest and best use
• Campbell has a lot of farmers on their land who don’t read English so the landowners have to educate farmers on how to fill out and understand forms. That is asking a lot of landowners.
• Need to provide advantageous tax rate across the state
• Need to understand impacts of taxation on landowners and farmers
• State needs to be a player in ag taxation
• Some have said that HRS 246 shouldn’t be there
• Is it important for state to be directly involved in taxes and not just the counties?
• Part of the problem lies with the counties because land tax is their tax base
• Need time to learn about the tools e.g. Williamson Act

• Workforce
  • What are the labor issues, what are the pitfalls?
  • Campbell has more land in ag then interested farmers

Preamble: There are fundamental issues relating to agriculture industry
• Ag is a business, sharing same issues as other businesses
• Cost of living in Hawai‘i is high, thus has limitation on this industry
• Location and distance from market is important & critical
  • Transportation of products to the mainland and inter-island increases costs
  • Local markets are small
• Limits to available capital, we are in transitional mode now
• Ag land use conflicts with higher and better uses
• Government’s response to curtail abuse should not hamper the needs of ag.
  • Such as Act 5 which is a reaction
• Farmers need realistic/well thought out business plan, and rely on the state for subsidies
• The Two distinct issues – stewardship and policies for private and public lands
  • More dynamic private and public lands should be directed to ag
  • There should be a clear mandate: how does the state play into it and private landowners play into it

Agriculture Covenant Act
• Discussion was tabled until next meeting when Hiroshi will be at the meeting to explain the intent of the bill and to give committee time to read bill and outline.
• The draft proposal appears to be an ag easement
• It is modeled after a national act within EPA for polluted ag lands. It is nationally accepted, and should be a good model.

Enterprise Zones (Ag Development Zones)
• EZs offers incentives to ag enterprises in designated regions, similar to other enterprise zone that are already designated, statewide
  • EZ are already state sanctioned, and counties nominated and have additional benefits
• Rules need to be written for ag as it is a useful as a tool to organize and offer benefit
• Pennsylvania has a comparable program. Ruby will follow up for information.
• EZ can be designated within large ag regions. The long-term goal is to protect ag activity and an ag district is a way to target benefits.
• Tom Brandt, DBEDT administrator of EZ will be speaking to the Tools and Techniques subcommittee on August 12th.

**Landowners: Definition**

Includes the following:
- Homestead owners
- small lot owners
- large ag who lease and own land
- public small and large land
- There are different categories and all carry different economic issues. Need to have all perspectives.
  - Why is valuation in the tax structure? Has the system tried to buffer land costs from off shore pressures?
  - In an effort to buffer from outside forces are you saying that ag isn’t affordable?
    - How to buffer ag value from real property taxes and costs. What is common theme?
  - Land is often look at farm as retirement to subdivide for children.
  - If land is valuable for ag then it has to be considered for farming into the future and not divided up for development.
    - Farmers need to consider other assets rather than land for their retirement.
  - The more important issue is to make sure that areas important for ag are protected.
    - Incentives such as ag easements would support that
    - Different incentives to address different farming and land uses

- **Valuation of land**
  - Taxes have very little impact on business plan
  - Land cost is the highest impact
  - The real estate value of some prime ag land is $30,000 per acre; a more realistic rate is $250.
  - Have to forget about the small farmer because cost of land is not realistic
  - Need to structure toward value added crop because that is the only type of ag that is economically feasible.
    - Kamehameha Schools leases are structured with a relationship to crop

- Anytime government decides public policy for the public good, the cost should be carried by the public.
  - Public policy has to be a benefit to all landowners
  - Fear is that identifying Important Ag Lands is condemnation without compensation
Landowners don’t understand long term issues such as why do I want to have ag?

- Long-term easements need to leave room for less than perpetual rights.
- State could take responsibility and role to provide infrastructure
- Lands in Kunia are so tightly zoned i.e. Development Plans etc. that won’t ever get them out yet the whole structure could change in 10 years
- Need some consideration for flexibility and quid pro quo

- No one considers costs to develop land vs. costs to keep land in ag – cost of return

Loren- can’t argue with value of landowners land. If ag is going to be viable that true cost of land has to be considered

Next Ag Feasibility Committee meeting:

9/2 Plant Quarantine meeting room 8-11:00 am.

Upcoming meetings:

8/12 Time ?– Tools and Technique Committee room 405 State Office Tower
   - Will discuss Enterprise Zones

8/19 10-11:30 Criteria Committee State Office Tower OP conference room 6th floor

8/19 1-4:00 Ag Working Group Plant Quarantine meeting room