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**Agricultural Liaison Report on Initial Outreach
Provided to Members of the City Council,
City and County of Honolulu
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Introduction

The volume of agriculture occurring today on Oahu is surprising to many lifelong residents. Most people spend their days in urban and suburban parts of the island, with some recreational time at beaches or mountain trails. What we don't see are the active farms that dot the island throughout the Windward, North Shore and Waianae inland areas, and merely glimpse some of the farms in Central Oahu or Ewa through the windbreak foliage.

While Oahu agriculture is smaller than 20 years ago during sugar and pineapple, today's diversified agriculture has attributes that

Total Statewide Agricultural Revenue			
2007	2008	2009	2010
\$578 million	\$609 million	\$631 million	\$690 million

make it a more sustainable part of the economy. Hawaii's diversified agriculture has been steadily growing, expanding revenues nearly 20% during the last four years – a period of decline for most other sectors.

The fact that Oahu agriculture has been growing in spite of the identified constraints is a testament to the strength of the people operating local farms and the growing consumer demand for local products. This growth demonstrates the potential for further economic development, and the industry is large enough that agricultural economic development will help strengthen a diversified economy on Oahu.

This report briefly describes the strengths of Oahu agriculture, its potential for growth, and the barriers to that growth, which were identified during outreach.

Effectively addressing these barriers, especially the land issues, require a more in-depth presentation than is provided in this initial outreach report. Accordingly, this initial outreach report will be followed by additional reports on specific topics and recommendations for City action to effectively support agriculture on Oahu.

Agricultural Liaison

1. Creation of an Agricultural Liaison for the City and County of Honolulu

In 2011 the City Council passed Resolution 11-70 supporting the establishment of an Agricultural Liaison. Mayor Carlisle established the position and hired the first Agricultural Liaison for the City and County of Honolulu. The Agricultural Liaison started October 3, 2011.

During initial discussion between Council members and the Mayor, it was agreed that the Agricultural Liaison spend the first few months conducting outreach to farmers and organizations involved in agricultural production, processing, distribution and support on Oahu, in order to identify priority policies and procedures to effectively promote agriculture on Oahu.

2. Outreach

A list of the people and organizations contacted during outreach is at the end of this report. In total, suggestions, recommendations and priorities were gathered from over 30 farmers and 40 organizations including private, non-profit and governmental operations. This report builds upon the information in the Department of Planning and Permitting Agricultural Trend Report.¹

RESOLUTION 11-70 ROLE OF THE AGRICULTURAL LIAISON

1. Advocate for the development of city policies and procedures that promote, rather than hinder, agriculture;
2. Enable the city to capitalize on agricultural funding opportunities provided by federal and state government agencies; and
3. Provide a point person to coordinate efforts with the state to develop appropriate state and county incentives pursuant to Act 183 in order to identify and designate important agricultural lands.

¹ *Oahu Agriculture: Situation, Outlook and Issues*, Plasch Econ Pacific LLC, February 2011 (hereinafter "Oahu Agriculture," <http://honoluluodpp.org/Planning/GeneralPlan/GPUupdate/TrendReports/Agriculture.pdf>)

3. Assistance to Farmers to Date

During the past three months a number of farmers contacted the Agricultural Liaison seeking assistance. To date, the Liaison has provided farmers with assistance in the following matters:

- **Property Tax:** Several farmers sought information regarding the current status of the City and County property tax on agricultural lands. The liaison provided each farmer with an update on the recent changes to the property tax laws, which resulted in a lower tax rate for agricultural lands and a requirement that land be dedicated to agriculture for a minimum of five years in order to benefit from the reduced rate. Liaison researched and verified the specific taxes on parcels of property. The farmers who had not been aware of the recent tax changes were complimentary of the City's efforts.
- **Water Fees:** A farmer questioned the rate of a hookup fee for new water meters. The liaison researched the fee structure, and confirmed that BWS does provide a reduced agricultural rate for new meter fees as well as water fees.
- **Building Permits:** Liaison worked with farmers seeking building permits. Explained the permitting system to farmer seeking photovoltaic permit for barn and guided him to appropriate section within DPP for processing; explained the permitting system to "repurpose" old buildings for new processing facilities to farmer and his builder, and guided them to appropriate section within DPP for processing.
- **Haleiwa Farmers' Market:** Continuing assistance to the Haleiwa Farmers Market regarding operations on DOT remnant portion of land; working with Parks on special events permits for limited specific events.
- **Tropical Fruit Growers Annual Conference:** Worked with organization to apply for City grant to support annual conference.
- **People's Open Market:** In response to inquiry from farmer, researched POM vendor requirements, circulated request from POM to farmers seeking new applicants for vendors and explanation of POM procedures.
- **Organic Farmer Request for Assistance:** Initiated discussion with seed company and organic farmer to support buffer crops required for organic certification to be grown on seed company land perimeter, to enable organic farmer to maximize land production.
- **Local Education and Technical Support for Farmers:** Initiated and continuing discussion between Farm Bureau and local non-profit with UH College of Tropical Agriculture regarding education component at Waimanalo Agricultural Extension Station.

Agriculture is Strong on Oahu²

Oahu is the Second Highest Agricultural Producing Island

Farms on Oahu are very productive. Oahu's strong agricultural revenues are significant,

Hawaii Agricultural Revenue by County – 2008			
Agricultural statistics by County are available only up to 2008.			
Hawaii	Oahu	Maui	Kauai
\$194.9 million	\$184.5 million	\$151.2 million	\$78.6 million

especially considering the substantial size difference between Oahu and the Big Island; that Maui County includes multiple islands; and that all the neighbor islands are less urbanized than Oahu. The numbers in the table are the most recent available numbers, but given the overall growth in Hawaii agriculture in the past three years, Oahu revenues today are likely around \$200 million.

Oahu Hosts a Significant Amount of Hawaii's Non-Food Crops

Of the three types of crops grown on Oahu – seed, nursery and food – the first two are the highest revenue producing crops. Seed corn is the highest revenue crop, comprising an estimated one-third of total agricultural revenues; nursery crops are the second highest. All three major seed corn companies operate on Oahu as well as some non-GMO seed companies. Oahu hosts a number of nurseries across the island. While seed and nursery agriculture face some challenges to future growth, seed crops and, to a lesser extent, nursery products, are poised to address most of those challenges, with a couple exceptions.

Oahu Farms Likely Grow the Majority of Local Vegetables and Fruits

Oahu's farms produce a large amount of the locally-grown food consumed in Hawaii. New processing facilities are creating value-added products for local market and export. Consumer tastes prefer fresh and local, and rising shipping and fuel costs have led to many local products being competitive with imports.

The two largest produce farming operations in the state are on Oahu. No numbers on their production levels are available. However, discussions during outreach estimated that these two farms produce 30% or more of the vegetables and fruit (excluding pineapple) consumed in state.

² Unless otherwise noted, data from *Statistics of Hawaii Agriculture 2008; 2009; and 2010*, National Agricultural Statistics Service or *Oahu Agriculture: Situation, Outlook and Issues*, Plasch Econ Pacific LLC, February 2011 (hereinafter "Oahu Agriculture"). 2010 is the most recent year data is available. <http://honoluluudpp.org/Planning/GeneralPlan/GPUupdate/TrendReports/Agriculture.pdf>

Dole Foods continues to farm fresh pineapple, coffee and cocoa on Oahu on a relatively large scale. In addition, several mid-size commercial produce farms operate on Oahu. Some are multiple generations; all have established economies of scale, equipment and experience.

Some relatively smaller and/or newer farms on Oahu are commercial operations that supply a reliable amount of produce to retail markets and restaurants. A large number of small farms routinely supply farmers markets and small retail establishments, collectively producing a notable volume of produce consumed locally.

Oahu Farms have a Competitive Advantage over Neighbor Island Farms

Most Oahu farmers and food distribution companies interviewed noted the competitive advantages Oahu farms have over neighbor island farms. Oahu products are grown on the island with the most consumers, so farmers don't have to pay for shipping and deliver fresher produce to market than their neighbor island counterparts. In addition, Oahu farms have the advantage of local technical expertise from UH College of Tropical Agriculture, Hawaii Agricultural Research Center; the biggest number of support services and supplies in urban Honolulu; and the biggest supply of labor.

Oahu Agriculture has Potential to Expand

Potential to Expand Food Crops

Oahu distributors and retailers stated they could sell two or three times the amount of local food today. This demand is not limited to high-end markets. An Oahu company is using local produce to supply Burger King, McDonalds and Subway with cut vegetables. A recent survey confirms Oahu residents' demand for local food.³ Furthermore, transportation and fuel costs are continuing to increase, meaning imported food prices will continue to rise or stay high.

The biggest challenge facing Oahu food farms is the fact that they compete in an international market where they have little to no ability to set prices. A limited number of premier products can command a significant premium, but for the most part typical food products will not. While the survey showed Oahu consumers are willing to pay some premium for local food, there is a limit to that premium. That means the margins for food farmers will remain tight, controlling costs, diversification and access to larger markets will be a significant part of their success.

Because increasing the percentage of locally-grown food will have a significant economic benefit to Oahu's economy, the barriers to expanding food farming merit consideration. The

³ *Local Food Market Demand Study of Oahu Shoppers*, OmniTrak Group Inc., December 2011.

University of Hawaii estimates that Hawaii residents and visitors spend approximately \$4 billion per year on food.⁴ Hawaii Department of Agriculture estimates that Hawaii imports approximately 90% of its food and locally produces approximately 10% of its food.

If local farmers can double production – to 20% of food consumed - Hawaii will increase the cash initially retained in the local economy by a significant amount. As the majority of the population resides on Oahu and a significant amount of local produce is grown on Oahu, increasing the supply of local produce will have measurable economic benefits for Oahu.

Potential to Expand Non Food Crops

Seed crops are grown here four crop cycles per year, allowing seed companies to test or develop new varieties in Hawaii two- to four-times faster than on the mainland. While there are disputes regarding the impacts of genetically modified organisms (GMO) crops, it should be noted that some companies are testing non-GMO seed crops on Oahu, including food crops such as potato. Seed crops provide several Oahu food farmers with supplemental contract income which helps sustain their operations.

Barriers to Expanding Agriculture on Oahu

While Hawaii agriculture has been growing and has potential for additional growth, there is no question that local agriculture faces challenges that need to be addressed in order for it to be sustained in Hawaii, let alone to reach it's potential.

The collapse of sugar and pineapple weakened local agriculture, particularly regarding land and capital investments. When landowners ran plantations they invested in operations and infrastructure, which could be recouped over time. However, when sugar and pineapple moved out of Oahu, with few exceptions, the plantations did not transition into diversified agriculture. Instead, most operations transitioned into real estate management, sales and/or development of agricultural land. Much of the agricultural infrastructure, particularly the water systems, were left fallow, deteriorating, or under more complicated management serving multiple operations with less consistent investment.

Today, many Oahu commercial farms, especially food farms, operate on land with short term rentals. Farmers on short-term rentals are unable or understandably unwilling to make significant or long-term investments in operations and infrastructure. Consequently, the land issues were raised by almost all interviewees as the highest priority barrier that needs to be addressed in order for diversified agriculture, especially food agriculture, to succeed on Oahu.

⁴ *Economic Impacts of Increasing Hawaii's Food Self-Sufficiency*, CTAHR Cooperative Extension Service Economic Issues, December 2008.

The following barriers to expanding agriculture on Oahu were identified during interviews with over 30 farmers and 40 organizations. Interestingly, with just a couple exceptions, there was a complete overlap of barriers listed by farmers and non-farmers; government, private and nonprofit organizations.

Separating Barriers the City and County Can Address from Barriers that are State, Federal or General Business Issues

Some of the barriers identified fall squarely into the arena of the City and County. An example is building standards and permits for agricultural structures, which are managed primarily by the City and County.

Other barriers are indirectly related to the City. For example, federal food safety standards will require farms to build new structures to meet food safety requirements. Accordingly, food safety is indirectly related to the City in that building standards and permits will become a higher priority. Some barriers are general barriers facing businesses operating in Hawaii and may not be remedied by the City and County of Honolulu, however understanding these barriers is helpful to understanding the agricultural industry on Oahu.

Different Crops Face Different Barriers

1. Barriers to Food Crops

Food farmers face every barrier listed. As most of Oahu's food is produced on farms with short-term rentals, the land issues are the highest priority for continued food production. Because they have the smallest revenues, food farms have the least capacity to resolve the barriers they face. The one exception is current popular support for locally-grown food. Most people interviewed supported policies that would specifically help food production in Hawaii.

2. Barriers to Nursery Crops

Nursery crops have a higher marginal return than food, but lower than seed crops. As a "discretionary" item, nursery operations appear more susceptible to economic downturns than either food or seed, and may be more affected by theft as their products are easily transportable, non-perishable, and sell at a higher value than food. While affected by most barriers, their higher margins provide nurseries with some resilience.

3. Barriers to Seed Crops

The seed companies have the highest revenues, and therefore have the capacity to overcome most of the barriers facing the other two types of agricultural operations. The largest barrier facing the GMO seed companies is the dispute over the types of agriculture. Non-GMO seed crops don't appear to generate controversy.

Barriers to Expanding Agriculture on Oahu

Directly Related to C&C Honolulu		Notes
1.	Lack of affordable land for sale or long-term lease	Highest priority barrier for food farmers; also affects nursery operations.
2.	Urban building standards and permits not suited for agricultural structures	High priority for all agriculture; higher priority for food farmers due to new food safety standards.
3.	Theft and vandalism	Affecting nurseries and food crops; GMO crops possibly targeted.
4.	Cost of property tax	Recent C&C changes to tax code have addressed many suggestions.
5.	Lack of enforcement of Ag zoning	Relates to No. 1 issue; desire to prevent "rural estate" subdivisions.
Indirectly Related to C&C Honolulu		
1.	Food safety regulations	Highest priority for food farmers. Requires structures meeting FS standards; indirectly related to availability of long-term leases, affordable land and building standards.
1.	Policy disputes regarding types of agriculture	Highest priority for many non-farmers is support food crops; priority for seed companies and nurseries to maintain operations.
2.	Cost and availability of water	City WWTP upgrades necessary for Lake Wilson water to be used for food crops.
3.	Rapidly changing industry requires multi-faceted entrepreneurs	Indirectly related to availability of land for new farmers and current farmers modernizing operations; updating urban land uses
4.	Cost to "modernize" food farming	Requires investment in structures; indirectly related to availability of land and permitting.
Unrelated to C&C Honolulu		
1.	Cost of inputs for agriculture (fertilizer, equipment, etc.)	
2.	Transportation costs (import of inputs; exports of product)	
3.	Cost and availability of labor	
4.	Insufficient technical assistance: develop new crops; fight new pests and disease	

Outreach Completed to Date

Many thanks to the following individuals and organizations for the time they provided, especially to the farmers who opened their farms for site visits and patiently answered my many questions.

The information presented in this report are interpretation of many conversations with different people and review of written materials occurring over two months, and do not represent the views or recommendations of any individual or organization.

Apologies to anyone or organization I neglected to include, and thanks to the many people and organizations who have agreed to meet with me in the future, and whose views I will attempt to incorporate from that time forward.

Farmers

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Ted Nakamura
Dan Nellis
Wayne Ogasawara
Dean Okimoto
Anthony Palazzo
Dan Rudoy
Al Santoro
Tan
Griff Twigg
Jeanne Vanna
Ron Weidenbach
Yang

Non-Profit & Community Organizations

Agricultural Task Force
Agricultural Foundation
Enterprise Honolulu
Farmer's Markets Managers
Ag. Foundation
Farm Bureau
Haleiwa & Hawaii Kai
Grow Hawaii
Harold K. Castle Foundation
Hawaii Agricultural Research Center
Kokua Hawaii Foundation
Oahu Chapter, Farm Bureau
Oahu Resource Conservation & Development
Council
Ola Hawaii
Sustain Hawaii
The Nature Conservancy
Trust for Public Land
Ulupono Initiative
Waimanalo Agricultural Association

Private and Trust Companies

Alan Wong Restaurants
Armstrong Produce
Dole Foods
HPC Foods
KSBE
Monsanto
Oils of Aloha
Otani Produce
Plasch Econ Pacific LLC
Whole Foods

Government Organizations

US Department of Agriculture
Hawaii Department of Agriculture
University of Hawaii College of Tropical
Agriculture and Human Resources
State Land Use Commission
Kauai County Planning Department

City and County of Honolulu Departments:

Budget Fiscal Services
Community Services
Corporation Counsel
Environmental Services
Parks and Recreation
Planning and Permitting
Board of Water Supply
Office of Economic Development

APPROVED:



to _____
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