

# **AGRIBUSINESS DEVELOPMENT CORPORATION: REVISITED**

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## FOREWORD

This report was prepared in response to Act 267, Session Laws of Hawaii 2006, that noted that the Agribusiness Development Corporation (ADC) did not prepare a mandated Hawaii agribusiness plan and requested the Legislative Reference Bureau to identify and consult with governmental agencies and stakeholders in the agricultural industry to identify the necessary elements to be included in the Hawaii agribusiness plan and to obtain suggestions to improve ADC.

The Bureau identified and sent out fifty-four letters to governmental agencies and industry stakeholders asking for their input to this legislative request. The bulk of this report is a compilation and discussion of the responses that the Bureau received to its inquiry. The Bureau extends its appreciation to those agencies, organizations, and individuals identified in the report for their valuable input. The Bureau further extends its appreciation to the ADC staff for its candid responses to our requests for information.

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Acting Director

January 2007

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## SUMMARY

As the State of Hawaii was entering the last decade of the twentieth century with the accelerated closings of sugar and pineapple plantations across the State, the Legislature viewed this occurrence not as a reason for panic but as an "unprecedented opportunity for the conversion of agriculture into a dynamic growth industry."<sup>1</sup> It was estimated that by the end of the century, seventy-five thousand acres of agricultural lands and fifty million gallons per day of irrigation water would be released from plantation operations. This release of valuable arable land, along with supporting infrastructure, including irrigations systems, roads, drainage systems, processing facilities, and warehouses, was viewed as a windfall and a challenge to both the public and private sector to conserve and convert all this land and infrastructure into smaller aggressive diversified agricultural enterprises.

To assist in this conversion, the Legislature established the Agribusiness Development Corporation (ADC), codified in chapter 163D, Hawaii Revised Statutes, as a:

[P]ublic corporation to administer an aggressive and dynamic agribusiness development program. The corporations shall coordinate and administer programs to assist agricultural enterprises to facilitate the transition of agricultural infrastructure from plantation operations into other agricultural enterprises, to carry on the marketing analysis to direct agricultural industry evolution, and to provide the leadership for the development, financing, improvement, or enhancement of agricultural enterprises.

Accordingly, at its inception, ADC had as its responsibilities transitioning plantation operations into new diversified agricultural enterprises, doing marketing analysis, and otherwise assisting in the development and financing of these new agricultural enterprises. To these were added additional tasks to go with ADC's "aggressive and dynamic" persona. However, in its adolescence and for whatever reasons, ADC appears to not have taken the giant strides that were anticipated. In a chicken or egg sense, there were real or perceived organizational or governance problems and budgeting or funding problems. After four years, there were calls for the repeal or extreme reorganization of ADC.

In 1997, the Legislative Reference Bureau was asked to study the operations of ADC for the purpose of improving its effectiveness in carrying out the original intent of its establishment. The Bureau did an in-depth formative evaluation of ADC, resulting in seven recommendations, ranging from a complete reorganization of ADC to a clarifying or reduction of the mission of ADC and other administrative in-house reforms.

While none of the recommendations of the Bureau, particularly suggestions to amend certain statutory provisions relating to ADC, were adopted, the ship appeared to right itself and, in 2003, the Legislature appeared satisfied that any organizational or governance problems had been resolved and expressed some satisfaction with recent accomplishments of ADC. Yet, three years later, there appeared some concern that ADC never met a statutory mandate for the preparation of the Hawaii agribusiness plan. Accordingly, Act 267, Session Laws of Hawaii

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1. This quote and all others in this Summary are from section 163D-1, Hawaii Revised Statutes.

2006, directed the Bureau to identify and consult with governmental agencies and industry stakeholders in the agricultural industry to identify the necessary elements to be included in the Hawaii agribusiness plan and to obtain suggestions to improve ADC. Hence: *Agribusiness Development Corporation: Revisited*.

In this second review and report relating to ADC by the Bureau, the principal finding of the Bureau was that a majority of the governmental agencies and industry stakeholders responding to the Bureau's request for input rather aggressively noted that there have been numerous agricultural industry studies and plans over the decades. What was needed was not another plan, a Hawaii agribusiness plan, but an implementation of all the previously existing plans. Further, many respondents felt that the "elements" of the plan were already contained in section 163D-5(a), Hawaii Revised Statutes.

Of equal note was the comment among respondents that the role of ADC, particularly in relationship to the Department of Agriculture, should be reviewed and clearly delineated. A majority of respondents stated that the mission and scope of ADC should be reviewed and probably refocused. Many noted that ADC's assumed role has been limited to the primary of its many perceived responsibilities, as set forth in section 163D-1, Hawaii Revised Statutes. It is principally involved in taking over infrastructure and operations of agricultural infrastructure, primarily irrigation systems, from prior abandoned plantation operations. It has repaired and restored these systems and operates them for the benefit of adjoining public agricultural lands that ADC leases to tenant farmers or adjoining private landowners and tenants to whom ADC sells water rights. Many of these respondents believe that ADC should be limited to this important and vital role.

These and other findings are contained in the last chapter of this report, followed by some recommendations to the Legislature.

# Chapter 1

## INTRODUCTION

### Scope of Report

During the Regular Session of 2006, the Legislature enacted Act 267, entitled Relating to Agriculture (see Appendix A). Act 267 noted that, in 1994, the Legislature created the Agribusiness Development Corporation (ADC). With the closing of many large sugar and pineapple plantations throughout the State, ADC was mandated to administer an aggressive and dynamic agribusiness development program that was to coordinate and administer programs to:

- (1) Assist agricultural enterprises to facilitate the transition of agricultural lands and infrastructure from plantation operations into other agricultural enterprises;
- (2) Carry out marketing analysis to direct a new agricultural industry evolution from mono-crop plantation operations to multi-crop diverse agricultural operations; and
- (3) Provide the leadership for the development, financing, improvement, or enhancement of agricultural enterprises.

One of the immediate responsibilities of ADC was to prepare the Hawaii agribusiness plan to define and establish goals, objectives, policies, and priority guidelines for its agribusiness development strategy. However, this plan was never created. Act 267 directed the Legislative Reference Bureau (Bureau) to conduct a study to assist ADC in identifying elements to be included in the Hawaii agribusiness plan. To do this, the Bureau was directed to:

- (1) Identify the government agencies involved and stakeholders who may directly benefit from the operations of ADC;
- (2) Consult with these agencies and stakeholders, including but not limited to individuals from the Department of Agriculture (DOA), ADC, University of Hawaii College of Tropical Agriculture and Human Resources (CTAHR), Hawaii Farm Bureau Federation, and county farm bureaus, as well as individual farmers and ranchers, as feasible;
- (3) Obtain suggestions to improve ADC and identify the necessary elements for developing the Hawaii agribusiness plan; and
- (4) Submit its findings and recommendations, including any proposed legislation, to the Legislature at least twenty days prior to the convening of the Regular Session of 2007.

## Methodology

The first step undertaken to carry out this study was identifying governmental agencies, organizations, and other stakeholders in the agricultural industry who would be impacted by ADC and could be helpful to the Bureau in the completion of this study. Fifty-four potential respondents were identified. (A list of the potential respondents is contained in Appendix B.)

A letter was sent to each potential respondent, along with a copy of Act 267 (see Appendix C). The letter set forth the purpose of the study by the Bureau and asked the potential respondents to set forth:

- (1) Your understanding or perception as to what the role of ADC is or should be in the agricultural industry and, particularly, in relation to the DOA, CTAHR, Hawaii Farm Bureau Federation, and other agricultural agencies and service organizations;
- (2) Any recommendations that you may offer to improve ADC in its performance of its responsibilities;
- (3) The identification of elements that you believe are necessary for the Hawaii agribusiness plan and reasons supporting the inclusion;
- (4) Any proposed legislation that you believe will assist ADC in its mandated responsibilities; and
- (5) Any other suggestions as to how the Bureau may more effectively complete this study.

Fifteen responses were received, four from government agencies, four from service organizations, three from agriculturalists, and four individuals. (A copy of each response is contained in Appendix D.) These responses are reviewed and discussed in Chapter 4.

In addition to the Act 267 mandated letter survey of agencies and stakeholders, annual reports of ADC, which were contained in the DOA annual report to the Governor and Legislature, were reviewed and several meetings were held with ADC Executive Director, Alfredo A. Lee, to accurately as possible understand and set forth the efforts and undertakings of ADC from its inception to date. Mr. Lee was very forthright and helpful in setting out and explaining the undertakings and efforts of ADC under his watch.

## Organization

This chapter provides the direction and mandated responsibility of the Bureau set forth in Act 267. Chapter 2 recounts the legislative history of ADC, and Chapter 3 describes ADC and sets out the undertakings and efforts of ADC from its inception to date. Chapter 4 discusses the

## INTRODUCTION

responses to the letter survey sent out to agricultural agencies and stakeholders, and Chapter 5 contains the Bureau's conclusions and recommendations.

### Glossary

For the convenience of review, the following frequently referred to abbreviations and acronyms are set out in alphabetical order:

|       |   |
|-------|---|
| ADC   | Agribusiness Development Corporation                                      |
| ADD   | Agricultural Development Division, Department of Agriculture              |
| ALD   | Agricultural Loan Division, Department of Agriculture                     |
| AWUDP | Agricultural Water Use and Development Plan                               |
| BOA   | Board of Agriculture  |
| CWRM  | Commission on Water Resources Management                                  |
| CTAHR | College of Tropical Agriculture and Human Resources, University of Hawaii |
| DOA   | Department of Agriculture   |
| DBEDT | Department of Business, Economic Development, and Tourism                 |
| HAP   | Hawaii agribusiness plan  |
| HARC  | Hawaii Agriculture Research Center  |
| HC&S  | Hawaiian Commercial & Sugar Company                                       |
| HFBF  | Hawaii Farm Bureau Federation   |
| HRS   | Hawaii Revised Statutes   |
| KSBE  | Kamehameha Schools Bishop Estate  |
| LURF  | Land Use Research Foundation  |
| MCFB  | Maui County Farm Bureau   |
| PMRF  | U.S. Navy's Pacific Missile Range Facility                                |
| WWS   | Waiahole Water System   |

## Chapter 2

### LEGISLATIVE HISTORY AND CREATION OF THE AGRIBUSINESS DEVELOPMENT CORPORATION

The conception of the Agribusiness Development Corporation (ADC) was the result of an administration bill introduced during the Regular Session 1994, as Senate Bill No. 3045. For most of its passage in committees, it had the overwhelming support of the administration (including the Department of Agriculture (DOA), Department of Land and Natural Resources, Office of State Planning, as it was then known, and Department of Hawaiian Home Lands), along with the Land Use Research Foundation, Hawaii Sugar Planters Association, College of Tropical Agriculture and Human Resources (CTAHR), Hawaii Farm Bureau Federation, and many large plantation operators and large land owners. Throughout this legislative process there were no major events, other than standard tweakings, such as how to appoint the members of the board of directors (by the Governor or President of the Senate and Speaker of the House of Representatives, with the former prevailing), whether to give ADC the power to acquire and alienate lands (it may), whether to allow ADC the power to float revenue bonds (it may), and whether to sunset the ADC in four years (it was not).

The result of this effort was the enactment of Act 264, Session Laws of Hawaii 1994, and the creation of ADC. At that time, the Legislature found that the shutting down and downsizing of the sugar and pineapple industries, resulting in abandoning approximately 75,000 acres of arable land, along with miles of irrigation systems and 50,000,000 gallons per day (mpg) of irrigation water, roadways, and other agricultural facilities presented "an unprecedented opportunity for the conversion of agricultural industry in the State into a dynamic growth industry."<sup>1</sup> The Legislature was determined to take this "windfall" of arable land and other agricultural infrastructure and create a diverse and opportunistic agricultural industry to meet local, national, and international opportunities. ADC was to become the "public corporation to administer an aggressive and dynamic agribusiness development program."<sup>2</sup>

To bring this dream to fruition, ADC was granted extraordinary powers. Among these were the powers to:

- (1) Carry out surveys, research, and investigations into technological, business, financial, consumer trends, and other aspects of agricultural production in the national and international community;
- (2) Acquire interests in property, real and personal, to advance the broad purposes of Chapter 163D, Hawaii Revised Statutes (HRS);
- (3) Acquire, construct, rehabilitate, and improve any infrastructure or accessory facilities in connection with any project;

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1. Section 163D-1, HRS.

2. *Ibid.*

- (4) In cooperation with DOA or through direct investment with a professional investor or enterprise acquire, construct, and operate water facilities for conveying and transmitting water for irrigation and agricultural uses, at rates to be determined by ADC;
- (5) Conduct detailed marketing analysis to develop marketing and promotional strategies and specialized programs to exploit local, national, and international markets;
- (6) Provide allowances and grants to qualified agriculturalists for the development of new crops and products;
- (7) Provide advisory, consultative, training, and educational services to carry out the purposes of Chapter 163D;
- (8) Create subsidiary corporations for specific projects;
- (9) Develop and implement agricultural projects where large tracts of agricultural land have been or will be taken out of agricultural production;
- (10) Issue and sell bonds, as authorized by the Legislature, for the purposes of acquiring, constructing, and equipping any project facility and establishing assessment areas of benefiting real properties for the repayment of the bonds; and
- (11) Do all things necessary to carry out the purposes of Chapter 163D.

Given all these extraordinary powers, this "public agency on steroids" was to deliver the legislative dream of transforming a declining large plantation based agricultural industry into a diversified dynamic growth industry impacting the local, national, and international scene.

However, this uneventful, although extraordinary, genesis led to a rather tumultuous adolescence. At the age of four, ADC was facing repeal. During the Regular Session of 1998, in its original form, H.B. No. 3625 called for the reorganization of the DOA, including the repeal of ADC and the transfer of the proactive functions of the ADC into the newly reorganized DOA. However, in the Senate, the Committee on Economic Development found that "The Agribusiness Development Corporation should maintain a degree of autonomy from the Department of Agriculture."<sup>3</sup> In conference, the House and Senate compromised and retained the ADC; however, H.B. No. 3625, C.D. 1 (Act 176, Session Laws of Hawaii 1998), changed the composition of the board of directors of ADC to consist of the members of the Board of Agriculture, effective July 1, 1999.<sup>4</sup> Act 117, Session Laws of Hawaii 1999, extended the effective date of the change to July 1, 2001, and Act 213, Session Laws of Hawaii 2001, noting the appointment of five new members to the Board of Directors of ADC in September 1999, further extended the effective date of the change to July 1, 2005.

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3. Senate Standing Committee Report No. 2867, March 25, 1998.

4. Conference Committee Report No. 154, May 11, 1998.

Finally, during the Regular Session of 2003, the Senate Committee on Water, Land, and Agriculture in Standing Committee Report No. 393, reporting on S.B. No. 1258, noted the following:

Your Committee finds that, according to current statute, effective July 1, 2005, the composition of the ADC board will consist entirely of members of the Board of Agriculture (BOA). The DOA has different functions from the ADC, BOA members function more as a review committee and deal primarily with regulatory and agriculture park issues, while the ADC board functions as a work group to deal with transitional issues. Currently, the ADC board members are selected and appointed by the Governor based on their knowledge, experience, and expertise in agriculture, marketing, banking, finance, real estate, and management.

Your Committee also finds that this measure will enable the ADC and Hawaii's agriculture industry to benefit from the expertise and pro bono work of professionals and executives...The ADC's recent accomplishment demonstrate that it is able to meet the challenges of the agricultural transition occurring in the State and deserves the expression of support shown by this measure in assuring its longevity.<sup>5</sup>

Apparent House concurrence with this position is indicated in the conference committee report of S.B. No. 1258 wherein the following was noted:

Your Committee finds that the organizational and governance problems that were the impetus for replacing the ADC board with the members of the BOA have been satisfactorily resolved. This measure will enable the ADC and Hawaii's agriculture industry to benefit from the expertise and pro bono work of professionals and executives. The ADC's recent accomplishments demonstrate that it is able to meet the challenges of the agricultural transition occurring in this State and deserves the expression of support shown by this measure in assuring its longevity.<sup>6</sup>

Thus, ADC was able to dodge its repeal, but another substantive change occurred to the ADC law in 2004. At its inception, in order to ensure that it would be able "to administer an aggressive and dynamic agribusiness development program," ADC was granted an exemption from Chapter 103D, HRS, the Hawaii Procurement Code, to allow it to respond to situations requiring immediate action. Act 216, Session Laws of Hawaii 2004, amended sections 163D-6, 163D-15.5, and 163D-17, HRS, removing ADC's exemption from the procurement code. The only oblique comment made by the Senate in proposing an amendment to the underlying House bill was the following comment in a committee report by the Senate Committee on Transportation, Military Affairs, and Government Operations:

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5. Senate Standing Committee Report No. 393, February 14, 2003.

6. Conference Committee Report No. 95, April 25, 2003.

Your Committee finds that the amended measure, along with clarifications in the debarment process, and repeal of exemptions to chapter 103D, HRS, relating to the Hawaii Procurement Code, by state agencies, will result in advantages in procurement of goods, services, and construction by the citizens of this State. Equally as important, the basis for improving trust in government will be enhanced.<sup>7</sup>

Accordingly, without further explanation, ADC, along with other state agencies, lost its exemption from the Hawaii Procurement Code. This matter will be discussed further in Chapter 4.

The last relevant piece of statutory legislation relating to ADC is Act 267, Session Laws of Hawaii 2006, mandating this report by the Legislative Reference Bureau.

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7. Senate Standing Committee Report No. 3196, April 8, 2004.

## Chapter 3

### AGRIBUSINESS DEVELOPMENT CORPORATION

#### Legislative Reference Bureau Report No. 2, 1997

In 1997, House Resolution No. 193, H.D. 1, requested that the Bureau study the operations of the Agribusiness Development Corporation (ADC) for the purpose of improving the effectiveness of ADC in carrying out the intent of Act 264, Session Laws of Hawaii 1994.<sup>1</sup> That 1997 study:

- (1) Reviewed what was initially planned for, what was subsequently authorized, and what eventually materialized in the way of staffing for ADC;
- (2) Reviewed the status of the Hawaii agribusiness plan (the primary objective of Act 267, triggering this study);
- (3) Described the purpose and status of projects and programs undertaken by ADC and ADC's progress in eventually becoming a revenue-generating, self-supporting state agency;
- (4) Reviewed the results of a survey of ADC board members and administrative staff to evaluate the attitudes of the board members and former staff with respect to the ADC mission and the Department of Agriculture (DOA); and
- (5) Considered changing the administrative placement of ADC from DOA to another state agency.

The Bureau made the following seven recommendations:<sup>2</sup>

- (1) The Legislature consider lowering its expectations of ADC or give it more time and sufficient staffing to live up to these expectations.
- (2) The Legislature amend section 163D-3, HRS, by setting a specific date for the submission of the Hawaii agribusiness plan and require that all ADC projects and programs conform to the agribusiness plan.
- (3) The Legislature amend section 163D-7, HRS, to require ADC to prepare written plans for projects it undertakes to enable the ADC board to monitor the status and evaluate the progress, approve or disapprove, replicate or continue to advance each project undertaken by ADC.

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1. Keith H. Fukumoto, *Plan(ning) Is Not a Four-Letter Word: A Formative Evaluation of the Agribusiness Development Corporation*, Legislative Reference Bureau, Report No. 2 Honolulu:1997.

2. *Ibid.*, pp. 49-56.

- (4) The Legislature consider directing the Attorney General and the Chairperson of BOA to determine whether the principal activities and roles of ADC, with respect to its projects and programs, may be creating potential financial liabilities for the State.
- (5) The Legislature consider clarifying: (a) the mission of ADC; (b) the means and the time within which ADC is to fulfill that mission; and (c) the individuals and entities who will exercise control over the mission of ADC.
- (6) The Legislature consider studying the comprehensive reorganization of all agriculture-related marketing and promotional activities and the management of state irrigation systems and agricultural parks, rather than the singular transfer of ADC to another state agency.
- (7) The Legislature commission an "independent" summative evaluation of ADC and determine, within two years, whether to continue funding ADC.

To this date, none of these recommendations were acted upon through legislation. In fact, the failure to act on recommendation no. 2 is the basis for Act 267 and this study. Many of the questions and concerns that prompted these recommendations remain, not only within the Legislature but within the agricultural industry, as exemplified in some of the comments the Bureau received in some of the responses to the Bureau's request for information sent to industry-related agencies and stakeholders. These concerns will be addressed in the summary discussion of these responses in the next chapter.

It should be noted that the Bureau's earlier report did close with the following caveat:

In all fairness to the ADC, it should be noted that the new Executive Director of the corporation, who was hired on September 2, 1997, has already begun to implement some of the recommendations contained in this report. For example, the ADC has developed a policy book to record, organize, and review all decisions made by the ADC Board of Directors with respect to specific projects and programs; and has developed systematic, written descriptions of all its ongoing projects and programs; has completed an outline of the Hawaii agribusiness plan; and has developed organizational procedures to systematically and clearly present specific matters and issues to, and obtain specific decisions and input from, the ADC Board of Directors. (cites omitted.)<sup>3</sup>

## **Present Operations and Activities of ADC**

ADC was established as a public body corporate by Act 264, Session Laws of Hawaii 1994. ADC was placed in DOA for administrative purposes. ADC is headed by a board of directors, consisting of eleven voting members, of whom eight are appointed by the Governor,

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3. *Ibid.*, p. 57. Further, the outline of the Hawaii agribusiness plan cited in the quotation is discussed further in this chapter.

"selected on the basis of their knowledge, experience, and proven expertise in small and large businesses within the agricultural industry, agricultural economics, banking, real estate, finance, promotion, marketing, and management."<sup>4</sup> The Director of Business, Economic Development, and Tourism (DBEDT), the Chairperson of the Board of Agriculture, and the Chairperson of the Board of Land and Natural Resources, or their designated representatives, serving as ex officio members, comprise the remaining three voting members of the ADC board. (See Appendix E for a list of current members of the board.)

The board has appointed an Executive Director who serves as the administrative head of ADC.<sup>5</sup> Assisting the Executive Director as his principal advisor is an Administrative Services Officer. Completing the ADC office staff is a Project Coordinator and secretary. In addition to the ADC office staff, ADC also employs a Water Systems Manager and Water Systems Office Manager both of who oversee all operations and work activities of the Waiahole water system which ADC purchased from Amfac, Inc. in 1999. Finally, ADC also employs four water system workers who are responsible for the operation, maintenance, and repair of all irrigation structures and facilities.

Before discussing the undertakings of ADC over the years, briefly, we should describe exactly what ADC has not done. In spite of its broad mandate,<sup>6</sup> ADC has not:

- (1) Adopted any rules pursuant to Chapter 91, HRS;
- (2) Established any subsidiaries to undertake any specific project or program;
- (3) Carried out or contracted for surveys or research for marketing agricultural products in local, national, or international markets;
- (4) Established an agricultural loan program; or
- (5) Issued any revenue bonds.

A discussion of reasons ADC did not undertake some of these matters will be contained in Chapter 4.

## **Annual Reports to the Governor and Legislature**

Section 163D-19, HRS, provides: "The corporation shall submit to the governor and the legislature, no later than twenty days prior to the convening of each regular session, a complete and detailed report of its plans and activities."

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4. Section 163D-3(b), HRS.

5. Much of the background information relating to ADC was received directly from ADC. Additional information relating the undertakings of ADC over the years was also gleaned from the annual reports ADC submits to the Governor and the Legislature through the DOA.

6. See section 163D-4(a), HRS.

There are no ADC annual reports available until 1997. Early references to ADC in DOA annual reports are sparse. In its 1994 report, the Chairperson of BOA mentions in the Chairperson's opening statement: "The establishment of the Agribusiness Development Corporation is intended to coordinate the necessary partnerships to ensure a smoother transition [from plantation agriculture to diversified farming], and to build the agricultural industry into the flourishing economic component that it can be." The next reference to ADC is in an organizational chart contained in the annual report for fiscal years 1995-1997. While ADC is shown in the organizational chart, there is no mention in the annual report of any plans or activities of ADC for those years.

**Annual Report and Progress Report, December, 1997.** In December 1997, in response to House Concurrent Resolution No. 72, S.D. 1, ADC itself submitted an annual report and a draft of an outline of the Hawaii agribusiness plan. (See Appendix F.)

Tellingly, the first paragraph of the 1997 report states, in part: "The Agribusiness Development Corporation (ADC) internally reorganized during 1997 to become more project focused. It has also felt the need to formulate a process to define, prioritize and act on projects that can have significant impact for Hawaii's agricultural business."<sup>7</sup> (Reference the language in that first sentence and the language in the caveat in the Bureau's 1997 Report, above.)

In an overview, ADC noted that in the 1990's with the sugar plantation closings, there were 94,000 acres less arable land committed to sugarcane. Further, nearly 200 million gallons per day of water became available. The 1997 report notes that the agricultural industry in Hawaii must be competitive in a global market and goes on to state: "To meet the challenges of globalization, Hawaii must seize this unprecedented opportunity to reinvent an agricultural industry empowered by farmers with an entrepreneurial market-driven philosophy."<sup>8</sup> The report goes on to note that ADC's role is to "continue to complement the efforts of the DOA in offering a vehicle by which this transition can be accomplished."<sup>9</sup>

This 1997 annual report also contained the draft outline for the Hawaii Agribusiness Plan. This draft plan opens with the ADC mission statement, followed by a list of four objectives, each of which contain strategies and action plans. The initial mission statement of ADC is as follows:

The mission of the Agribusiness Development Corporation (ADC) is to provide leadership and advocacy for the conversion of agribusiness into a dynamic growth industry through the use of financial and other tools enabled by the founding legislation for the pursuit of specific projects to achieve the legislative objectives.

The objectives of the plan were as follows:

**OBJECTIVE A.** To facilitate in the orderly transition of existing agribusiness resources of land, water and infrastructure as they become available.

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7. Agribusiness Development Corporation: Annual Report and Progress Report, December 1997, paragraph 1.0.

8. *Ibid.*, p. 2.

9. *Ibid.*

OBJECTIVE B. To focus on specific marketing analysis for ADC identified projects. To utilize marketing resources of related agencies to complement efforts. This will also include researching various transportation alternatives.

OBJECTIVE C. To provide the leadership for the development, financing, improvement, or enhancement of agribusiness enterprises.

OBJECTIVE D. To participate in county, state, and federal legislative initiatives to fulfill the purposes of the ADC.

The stated objectives come right out of the language of Chapter 163D. In like manner, each stated strategy contained in each objective is a direct derivative of the language in Chapter 163D. As stated above and further discussed hereunder, none of the objectives in the draft plan was later pursued by ADC other than objective A.

The draft agribusiness plan is followed by a list of the following projects:

- (1) Waiahole ditch;
- (2) Lower Hamakua ditch;
- (3) Waipio peninsula;
- (4) Freight consolidation and redistribution centers; and
- (5) Reparcelsation of agriculturally zoned lands.

With regard to the first two projects, ADC was in the discussion stage with other parties, including DOA. With regard to the Waipio peninsula, ADC apparently was actively pursuing a Rural Economic Transition Assistance-Hawaii (RETA-H) Program grant to undertake engineering and feasibility studies to convert former Oahu sugarcane lands into other agricultural enterprises. In the last two projects, ADC was contemplating its involvement.

**Annual Report 1998.**<sup>10</sup> This annual report contained the most significant undertaking by ADC to date. In accordance with Act 111, Session Laws of Hawaii 1998, ADC completed the asset-purchase agreement with Waiahole Irrigation Company, Limited, a subsidiary of Amfac/JMB, for the acquisition of the Waiahole water system, including a twenty-five mile long system of hard rock tunnels, lined ditches, and wooden and metal siphons, along with related land parcels, delivering nonpotable water from windward Oahu to leeward Oahu. The amount of \$8,500,000, the negotiated purchase price was deposited into escrow. (This agreement was finally executed with the acquisition of the water system on July 9, 1999.)

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10. The following ADC annual reports are contained as a last chapter in the DOA annual reports to the Governor and Legislature. A DOA report for the year 1999 was not available. The annual reports discuss the activities of ADC for the prior fiscal year. Major undertakings of ADC in the reporting period will be discussed in the body of this report. For further details of ADC activities, we have compiled the ADC portion of the DOA reports in Appendix G.

Also during this reporting period, ADC continued in its efforts to obtain the RETA-H grant for the Waipio peninsula project and submitted a request of another RETA-H grant to allow it to undertake the compilation of an inventory of Hawaii's land, soils, and water systems to be used as a marketing tool to publicize the availability of agricultural lands in Hawaii. (Section 163D-5(a)(1) and (2), HRS, required that the Hawaii agribusiness plan contain an inventory of agricultural lands and an inventory of agricultural infrastructure that will be available with the downsizing of the sugar industry.)

ADC also started preliminary investigations, along with the Agricultural Resource Management Division, DOA, into the possible lease and restoration of the lower Hamakua ditch on the island of Hawaii.

**Annual Report 2000.** During this reporting period, ADC continued in its efforts to close of the asset purchase agreement with Amfac/JMB. At the same time, it established an ad hoc committee to prepare a contingency plan for the continued operation of the Kekaha and Kokee ditch systems in anticipation that the sugar plantation would cease its operation and return vast acres of state land to the State.

ADC also started preliminary planning for a Hamakua agricultural subdivision.

**Annual Report 2001.** ADC reported on the completion of the purchase of the assets of the Waiahole Irrigation Company, Limited, and undertook the continued provision of irrigation water to central and leeward Oahu farmers without disruption. The newly named Waiahole Water System (WWS) provides irrigation for approximately 4,000 acres of land. ADC also undertook substantial maintenance and repair work on the WWS.

The other major undertaking of ADC during this reporting period was the apparent internal reorganization of ADC with the appointment of five new board of director members in September 1999, resulting in a new mission statement and goals. The new mission statement became:

The Agribusiness Development Corporation (ADC) is a vehicle and process to make the optimal use of agricultural assets for the economic, environmental, and social benefit of the people of Hawaii. It is a risk-taking advocate for agriculture.<sup>11</sup>

Three goals were stated in this annual report:

- Utilize the unique powers of ADC to make land, water, and other resources available to viable agricultural endeavors.

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11. This mission statement will undergo a slight change on August 30, 2006 to read: The Agribusiness Development Corporation (ADC) is a dynamic vehicle and process to create and to optimize agricultural assets throughout the state for the economic, environmental and social benefit of the people of Hawaii. It is a risk-taking advocate for agriculture with unique powers to assist agricultural business.

- Utilize the unique position of ADC to develop and nurture agricultural ventures and to privatize these ventures after their incubation period.
- Strive to invest in agricultural ventures with the greatest potential for self-sufficiency.

This restatement of goals appears to be a retreat from the objectives originally set forth in the 1997 report. The new goals limit the activities of ADC primarily to the first stated 1997 objective and do not specifically mention marketing, financing, and other activities that were earlier referred to in the 1997 objectives.

**Annual Report 2002.** The second major undertaking by ADC to date occurred during this reporting period. With the closing of all Amfac/JMB sugar operations on the island of Kauai, the State regained possession of 28,000 acres of land in the Mana plains area of Kekaha, previously leased to Amfac/JMB and in sugarcane production. ADC's immediate goal was to keep the land productive in agriculture and prevent flooding of the area since a good portion of the Mana plain, including the U.S. Navy's Pacific Missile Range Facility (PMRF), is at or below sea level. Along with the returned 28,000 acres of land came the Kokee ditch system, the Kekaha ditch system, two pump stations, two hydro-electric power plants, a complex irrigation/drainage ditch system, and many miles of electrical distribution lines.

Upon corralling all these assets and acting as the interim operator of the irrigation and drainage systems on March 1, 2001, ADC collaborated with a coalition of agricultural groups that eventually became tenants on the land engaging in various agricultural and aquacultural pursuits. (After ADC received control of 12,600 acres of these lands in September 16, 2003, through Executive Order 4007, ADC was able to enter into long-term agricultural leases with these tenants who eventually took over a substantial majority of the responsibilities of ADC in the operation of the irrigations and drainage systems in Kekaha.) ADC was also able to gain financial assistance in the form of a contract with the PMRF, providing the latter with assistance in operating the drainage system for the PMRF lands.

ADC continued to maintain the WWS, expending \$1,200,000 to replace some siphons, thereby recapturing 2,000,000 to 3,000,000 gpd of water that was being lost due to leakage.

During this reporting period, ADC developed a business plan for an experimental Hamakua agricultural subdivision. This plan included an analysis of the types of crops that would be suitable for the area and the marketability of the crops to be grown. In conjunction with Kamehameha Schools Bishop Estate (KSBE), a demonstration project was envisioned on a 110-acre site on KSBE lands in Hamakua.

Also during this reporting period, ADC acknowledged that it was required to produce the Hawaii agribusiness plan. However, due to a lack of resources, it was not able to meet this mandate. Instead, in the place of the Hawaii agribusiness plan, on March 2001, ADC submitted an Action Plan. (See Appendix H.)

**ADC Action Plan.** ADC stated in the Action Plan that it was intended "to provide 'aggressive and dynamic leadership' to respond to a constantly evolving industry. This type of

leadership requires a different planning paradigm; traditional plans tend to be inflexible and difficult to apply to changing circumstances. As a result, the ADC developed an action plan for agriculture on the basis of our overview of Hawaii's agricultural industry (see Appendix H)."<sup>12</sup> The appendix to the Action Plan was ADC's overview of the present state of Hawaii's agriculture. In its conclusion, it stated that the focus for Hawaii's farmers should be import replacement and export markets with high-value, high-quality export products. It noted that the major issues that needed to be addressed by the agricultural industry were:

- Resolving the freight and logistical issues that hinder the export business.
- Encouraging farmers to develop business and management skills to run their business.
- Encouraging partnership among farmers, with other private sector groups, as well as with the public sector, to gain cost efficiencies.
- Encouraging long-term agricultural leases.<sup>13</sup>

The Action Plan then stated that ADC would focus in the following areas:

- Assist in transforming available land into agriculture uses.
- Protect, maintain, and operate irrigations systems and infrastructure to ensure that a reliable and affordable water source is available to farmers.
- Provide assistance to solving distribution and transportation bottlenecks.
- Identify training needs and resources for farm workers and farm managers to upgrade our agricultural workforce.
- As an advocate for agriculture, educate the public and government entities about agriculture.

The Action Plan continued to provide a brief description of some of the major projects that ADC undertook to fulfill its stated mission.

**Annual Report 2003.** ADC reported on its continuing efforts to maintain and operate the WWS and the Kekaha agricultural lands.

Through Act 208, Session Laws of Hawaii 2001, ADC received an appropriation from the Legislature to assist with initial efforts associated in transitioning plantation lands in east Kauai to diversified agricultural activities, including a grant to the East Kauai Water Users' Cooperative for the operation and maintenance of the east Kauai irrigation system. Also with regard to irrigations systems, pursuant to Senate Concurrent Resolution No. 43, Regular Session

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12. Appendix H, p. 1.

13. Appendix H, p. A-5.

2001, ADC was requested to conduct an assessment of the Molokai irrigation system and to recommend long-term solutions to the system's chronic water shortage problem. A report was submitted to the Legislature in December 2001. ADC is now the established "go-to" agency when it comes to large agricultural irrigations systems.

In other activities, ADC engaged in exploring the feasibility of setting up a consolidation, packing, and distribution facility for agricultural products on Oahu and, further, engaged in informal meetings with other agencies and groups to identify training needs for agricultural workers.

**Annual Report 2004.** At Kekaha, partially through U.S. Navy funding, ADC undertook a \$1,250,000 overhaul of the mauka Waimea hydroelectric power plant, making the Kekaha agricultural lands energy self-sufficient. Also on Kauai, ADC continued to provide funds and oversight for the operation and maintenance of the east Kauai irrigation system.

At Waiahole, water usage at the WWS increased by twenty-nine per cent due to increased planting of crops. This also allowed ADC to start making debt service payments for the general obligation bonds that were issued to purchase the WWS. Further, the state Commission on Water Resources Management (CWRM) ordered ADC to develop an assessment and plan and construct a diversion that would deliver 2,000,000 gpd from the Waiahole ditch tunnel system back into Waikane stream. ADC completed the diversion in November 2002. (Presently, the WWS is serving sixteen farm operations, as well as the Waiawa Correctional Facility, Mililani Golf Course, and Mililani Memorial Park and Mortuary. A complete list of water user served by WWS is contained in Appendix I.)

In other activities, ADC contracted with CTAHR to investigate the feasibility of the development of a tea industry centered on the island of Hawaii. ADC also continued its efforts with the Hamakua agricultural subdivision project and further, engaged in negotiations with the University of Hawaii to take over the operation of the Kauai tropical fruit disinfestation facility located near Lihue airport that the University owned. This is the only facility on Kauai capable of treating papaya for export to the mainland and is essential to ensure the long-term viability of the papaya industry on Kauai.

ADC noted that Act 47, Session Laws of Hawaii 2003, provided ADC with needed flexibility in managing public lands by exempting public lands set aside by the Governor to ADC or public lands leased by ADC from another department or agency from the provisions of Chapter 171, HRS, relating to public lands.

**Annual Report 2005.** After taking over the 12,600 acres of land at Kekaha, ADC honored existing tenants' revocable permits and organized a coalition of tenants, the Kekaha Agricultural Association, to manage common infrastructure, including the Waimea and Kokee irrigation systems, the extensive drainage system with two pump stations, the electrical system with two hydroelectric plants, and the roadways in the area. Additional work in upgrading the drainage system, including replacing six drainage pumps, was also done with funds from the U.S. Navy contracts. (A complete list of Kekaha agricultural land tenants and water users is contained in Appendix I.)

Other continuing activities included the operation of the WWS, the Hamakua agricultural subdivision project, and the Kauai tropical fruit disinfestation facility takeover.

**Annual Report 2006.** With U.S. Navy financial backing to the tune of \$4,460,000, ADC completed an overhaul of the drainage system at Kekaha, including repair or replacement of six drainage pumps, dredging of drainage canals and improvements to flood control gates, repair and upgrading of the hydroelectric plants, and improvement to access roads. Final long-term leases were entered into with six agricultural, primarily seed-growing operations and one aquaculture operation, and two nonagricultural tenants. Rental rates were set by independent appraisal, with rents being discounted by a maintenance credit for the maintaining and operating of all the irrigations, drainage, and electrical equipment and systems by the tenants.

Also on Kauai, ADC continued to assist the users of the east Kauai irrigation system in the operation and maintenance of the system. ADC was also approached by DLNR to take over the irrigation system, along with approximately 7,000 acres of state-owned agricultural lands in the Kalepa area. This offer was approved by the ADC board of directors at its February 18, 2005, meeting and the details leading to another executive order transferring the jurisdiction over the Kalepa lands were being resolved.

ADC continued its maintenance and operation of the WWS, with its main concern over the period with stopping or reducing water losses in the system.

ADC continued to be involved in the other projects reported previously, including the development of a tea industry, the Kauai tropical fruit disinfestation plant, and the Hamakua agricultural subdivision project.

Two new potential projects that recognized ADC's expertise in water system management were the Oahu North Shore Ag Coalition project and a project on former sugarcane lands in Kau on the island of Hawaii. While the 40,000 acres on the North Shore are private, ADC is willing and ready to extend its water system management expertise to the coalition. Similar with Waiahole, Kekaha, and Kalepa, the Kau project involves large tracts of former sugarcane lands served by several irrigation systems, some portions of which are on state lands.

## **Summary**

While there are some other projects ADC is undertaking, there is no question that the vast majority of its time, energy, and resources are being spent on water system management projects. The WWS, Kekaha, and east Kauai irrigation system/Kalepa projects all involve former sugarcane lands that have been or are in the process of being converted into diversified agriculture, along with extensive irrigation systems. The ADC future holds further involvement in the North Shore Coalition project and the Kau project, again both involving former sugarcane lands blessed with extensive irrigation systems. This was the primary mandate of ADC twelve years ago, facilitating the conversion of vacated sugarcane and pineapple plantations lands and the infrastructure serving these lands into diversified, multi-crop agricultural industries. These primary efforts were supplemented with efforts to start up new crops (Hamakua project and the tea industry) and assist in the marketing of other crops (Kauai papaya).

## Chapter 4

# GOVERNMENT AGENCIES AND STAKEHOLDERS IN THE AGRICULTURAL INDUSTRY

### Responses from Government Agencies and Stakeholders

Act 267, Session Laws of Hawaii 2006, directed the Bureau to identify and consult with government agencies and stakeholders in the agricultural industry in order to identify the necessary elements that should be included in the agribusiness plan and to obtain suggestions to improve the Agribusiness Development Corporation (ADC). A total of fifty-four agencies, organizations, and individuals were identified and sent surveys. In addition to the obvious government agencies, other organizations and individuals were identified by their interest in testifying on the bill (and other related bills) that became Act 267. Additional parties were added at the suggestion of ADC Executive Director Alfredo Lee. (These fifty-four recipients are listed in Appendix B.)

Of those surveyed, only fifteen responded. The fifteen respondents included four state agencies (Department of Agriculture (DOA), DOA's Agricultural Loan Division, the Department of Business, Economic Development, and Tourism (DBEDT), and the College of Tropical Agriculture and Human Resources (CTAHR)), seven agricultural associations (Hawaii Farm Bureau Federation (HFBBF), Maui County Farm Bureau (MCFB), Hawaii Agriculture Research Center (HARC), Land Use Research Foundation (LURF), Hawaiian Commercial & Sugar Company (HC&S), Waimanalo Agricultural Association, and Hawaii Cattlemen's Council, Inc.), and four individuals (including two members of the Board of Directors of ADC). (The responses are contained in Appendix D.)

The fifteen responses were surprising in their relative similarity in content. Generally the following themes were contained in the responses:

With regard to the question requesting identification of elements that should be included in the agribusiness plan, the common comments were:

- There is no need for a further study; just implement existing studies
- The elements of the agribusiness plan are already set forth in section 163D-5(a), HRS
- The role of ADC should be redefined so as to not overlap with the roles being played by other agencies and organizations

With regard to the question requesting ways to improve ADC, the common comments were:

- Provide ADC with more funding and resources

- Establish performance standards for ADC's Board of Directors and staff
- ADC should establish standards or milestones for each separate project it undertakes with which it can oversee and determine whether a project is successful
- Remove DOA's oversight of ADC programs and projects
- Restore ADC's procurement code exemption

### **No Further Study Needed; Implementation Needed**

Perhaps the most emphatic comment in this regard came from Ms. Stephanie Whalen, President and Director of HARC:

With respect to the preparation of a Hawaii agribusiness plan I would like to bring to your attention if you haven't already discovered it that there have been at least 8 such plans without implementation since 1966. These were either called State Agricultural Plans or State Agricultural Functional Plans or similar titles. None of these plans have been implemented nor is there much difference among them. The issues have been recognized for decades; solutions have been suggested; little implementation has occurred.

Ms. Whalen goes on to note, as do other respondents, that "The Hawaii Farm Bureau Federation, an organization representing the farming community, has the most recently developed A Strategic Plan for Hawaii's Agriculture.... As all the state plans before it, it identifies what needs to be done. What is needed is for all the support organizations to work with this 'plan' and develop and support action items within their expertise for implementation." Further in her response she states: "If the goal of this is to support agricultural (sic), then another plan is not needed. What is needed is a recognition that the necessary elements have been identified over and over again in the past 4 decades in at least 9 plans already."

In a similar note, Ms. Teena Rasmussen, Chairperson of ADC states: "The Hawaii Farm Bureau Federation completed a very comprehensive plan titled 'Strategic Plan for Hawaii's Agriculture.'...We urge the LRB to look at these plans and studies in detail, and avoid a duplication of effort." Also the Maui County Farm Bureau stated: "The Hawaii Farm Bureau Federation has prepared and regularly updates a Strategic Vision and Implementation Actions for Agriculture in Hawaii. ...We strongly recommend that this Vision and Plan be used as the basis a (sic) Hawaii Agribusiness Plan. Duplication of effort is counterproductive. Rather, time would be better spent further developing the implementation actions."

Similarly, HFBF notes: "ADC should expound on the existing general agricultural plans and move into the implementation state with annual review of performance and measurement standards." Further in its response, HFBF states: "The Bureau should use existing agricultural plans such as the Farm Bureaus' (sic) strategic plan and the DOA's general agricultural plan. This will reduce duplication of resources and efforts to start a whole new plan. At this point, we

should be updating or implementing sections within these plans." Finally, HC&S states: "Preparing a new Plan may not be needed ... rather implementation of an existing plan."

Due to the prominence with which the HFBF's plan is mentioned in many responses, a quick review of that plan is warranted. The plan opens with an introduction and vision followed by a stated purpose.

The purpose of this plan is to evaluate the production, financial, marketing, and distribution problems and opportunities facing Hawaii's agriculture. The plan provides a roadmap to formulate a strategy to address issues hindering Hawaii's agriculture and to fully realize its potential. By identifying each issue, attention can be focused on reaching new or different solutions. This third version begins to identify some of the actions that have taken place and sets into the implementation phase of the Plan.

Private sector motivation must be the driver to move these goals and objectives forward. Agriculture should not rely on government or others to determine its future. Government's role must be limited to providing the political, regulatory, and infrastructural support needed to enhance agriculture.

The plan then goes forth to identify the major issues facing the agricultural industry in the State: land, water, environment and food safety, research and development, marketing and competitiveness, transportation, taxation and fees, and farm management and labor. Each issue is then defined and broken into sub-issues. These sub-issues are followed by proposed actions for the resolution to these issues. Finally, the plan contains a recitation of actions that have been taken to date by government or stakeholders in the industry to resolve some of these issues. (A copy of HFBF's "A Strategic Plan for Hawaii's Agriculture" is contained in Appendix J.)

### **Section 163D-5(a), Hawaii Revised Statutes**

In their responses to the question as to the elements that should be included in the agribusiness plan, DOA, CTAHR, HFBF, and two individuals refer back to section 163D-5(a), Hawaii Revised Statutes (HRS), and the nine numbered paragraphs in the subsection as the elements for the agribusiness plan. In fact, DOA and Messrs. Robert Cooper (ADC board member) and Robert Sutherland all recite the nine paragraphs in subsection 163D-5(a) verbatim in their responses.

DOA first notes that many of the elements of the agribusiness plan, "as outlined in Chapter 163D-5," have been or are being addressed currently by DOA, along with ADC, HFBF, HARC, and CTAHR. It further states that many of the elements of the agribusiness plan are addressed in the HFBF's strategic plan. DOA's response then goes on to set forth the language in the nine numbered paragraphs in section 163D-5(a), then responds to each. With regard to paragraph (1) calling for an inventory of agricultural lands, DOA states that Act 183, Session Laws of Hawaii 2005, relating to important agricultural lands, requires the counties to identify and map agricultural lands. While ADC is participating with DOA in the process, the primary responsibility for this inventory lies with the counties and the Land Use Commission.

Paragraph (2) calls for an inventory of agricultural infrastructure and DOA responds that its own Agricultural Resource Management Division has completed parts I and II and is working on part III of the Agricultural Water Use and Development Plan (AWUDP). This plan identifies and describes many of the major irrigation systems statewide, including both private and public systems. It further projects future irrigation water needs and proposed water sources to meet those projected needs. DOA states "ADC should focus on the infrastructure associated with ADC's high priority projects and criteria to select projects for infrastructure that will be identified through the AWUDP."

Paragraph (3) calls for an analysis of imported agricultural products and the potential for increasing local production to replace those imported products. DOA responds that its own Agricultural Development Division already provides statistics on the production of a variety of crops in the State, along with pricing information for use by the industry. It further noted that CTAHR did a similar study in 1993 and, if anything, CTAHR, rather than ADC, should be funded to conduct an industry analysis to identify potential products for our agricultural industry and what would be needed to produce those new identified products.

Paragraph (4) calls for alternatives in the establishment of sound financial programs to promote diversified agriculture. DOA notes that its own Agricultural Loan Division (ALD) has done significant outreach work with various agribusinesses and financial institutions. With loan limits of up to \$800,000, ALD can meet most of Hawaii's farmers' needs. DOA notes: "Rather than divert ADC's present focus and duplicate other successful efforts, we believe that this element should not be included in the HAP (Hawaii agribusiness plan). Rather, ADC could serve a better role by networking with ALP (sic) and the financial services providers and making their products known to ADC's own clients."

Paragraph (5) calls for feasible strategies for the promotion, marketing, and distribution of Hawaii agricultural products in local, national, and international markets. DOA responds that its own Agricultural Development Division (ADD) has been promoting and marketing Hawaii's agricultural products for years. "ADD rather than ADC is in the best position to lead the effort to expand markets for Hawaii agriculture."

Paragraph (6) calls for programs to absorb displaced agricultural workers; however, DOA notes that there is a shortage of agricultural workers that has led some diversified agricultural operations to import foreign agricultural workers.

Paragraph (7) calls for strategies to ensure the provision of adequate transportation facilities and services to support the agricultural industry. DOA's response: "HDOA (DOA), Department of Transportation, Hawaii Farm Bureau, and the Department of Commerce and Consumer Affairs are working together in issues relating to transportation along with the Superferry and Young Brothers."

Paragraph (8) calls for proposals to improve the gathering of data on market demands and trends. DOA states that it is the responsibility of its own ADD and the National Agricultural Statistics Services to collect and provide useful information to the agricultural industry.

Finally, paragraph (9) calls for strategies for federal and state legislative action to promote Hawaii's agricultural industry. DOA notes that ADC is regularly asked for and provides comments on proposed federal and state legislation and should continue to do so.

In similar fashion, CTAHR refers back to the same section 163D-5, HRS, in stating: "The Agribusiness Plan developed in 1994 is obsolete. I see little to be gained by trying to have ADC fit into the nine elements of the Plan."

## **Redefining the Role of ADC**

To varying degrees, all respondents called for a redefining of the role of ADC. Generally, the role of ADC as set forth in Chapter 163D, HRS, and specifically in section 163D-5 was to be all things to all parties in the Hawaii agricultural industry, although its primary purpose, as set forth in section 163D-1, was to be the principal party in the transition of Hawaii agriculture from a two-crop plantation industry to a multi-crop diversified agricultural industry and to be "a public corporation to administer an aggressive and dynamic agribusiness development program." Most respondents familiar with the past and present operations of ADC (as described in Chapter 3) appear to feel that ADC's role should be limited to the transitional vehicle role set forth in section 163D-1.

DOA states:

ADC has and should continue to focus primarily on the preservation of agricultural infrastructure abandoned by former plantations and the continuation of large tracts of former plantation land in active agriculture. As agriculture transitions, management of those lands must adapt to fit the new crops, scale and types of agribusinesses farming it.

ADC provides the means to transition what used to be a single operation under corporate control to the management and coordination of many individual farming operations all dependent on shared infrastructure.

In his response to the Bureau's letter, Mr. Ted Liu, Director of Business, Economic Development, and Tourism and an ex officio member of the ADC board of directors, comments on the role of ADC as follows:

In my view, the roles and responsibilities of ADC and the DOA need to be more clearly delineated. Although "the ADC is mandated to administer an aggressive and dynamic agribusiness development program...(including) marketing analysis (and) leadership for the development of agricultural enterprises," the DOA also has similar responsibilities and is the lead state agency in these areas. The ADC has limited staffing and, it seems, as currently structured would not be able to adequately fulfill this mission.

CTAHR, in like manner with other respondents, feels that ADC's role should be a reduced one, focusing on the transition from plantations operations into other agricultural operations:

The mission of ADC should be focused on item 1 of its stated mission, "Assist agricultural enterprises to facilitate the transition of agricultural infrastructure from plantation operations into other agricultural enterprises." They should be focused on managing large tracks of land and the irrigation and related infrastructure to support agricultural enterprises on these lands. They are already doing this at Kekaha on Kauai, and should expand to other locations in the state.

HFBF in its response states: "Our understanding or perception as to the role of the ADC is [to] assist in the transition from plantation agriculture to diversified agriculture.... ADC's main function or role is to assist in the re-development of land and water infrastructure for diversified agriculture."

Maui County Farm Bureau's overview of the relative roles of the various agencies and organizations in the agricultural industry is as follows:

In summary, we see ADC being the leader for land and water, CTAHR for research and development, HDOA for regulatory and marketing functions associated with government and HFBF and Commodity organizations for bringing farmers and ranchers together and to serve as the conduit of information between parties as well as work within the legislative process both locally and nationally.

Land Use Research Foundation (LURF) states that "ADC's primary objective is to assist in the transition to agribusinesses that are 'economically viable.' It was to use its authority and powers to transition agribusinesses in Hawaii from mono-crop plantations to more diversified agribusinesses."

HARC also similarly finds:

ADC's niche has evolved into the management of large scale water systems and the public and private lands associated with them. The systems were once handled by private entities having a self interest in maintaining them for their businesses. As these water systems are orphaned by departing large scale agricultural enterprises and by the remnant land owners there is an urgent need for an organization to step in and manage these systems for multiple smaller and diversified agricultural users. ADC stepped into this role and is evolving the expertise to manage these diverse and complex systems, each one unique to itself.... This is the perfect role for ADC which it has embraced.

Ms. Rasmussen, ADC Chairperson, also feels that the role in which ADC now finds itself is the appropriate one:

One of the main missions of ADC when it was established was to assist agricultural enterprise to facilitate the transition of agricultural infrastructure from plantation operations into other agricultural enterprises. This is what ADC has done and has done well. From the Waiahole ditch system, to the state lands left vacant by Gay and Robinson sugar company in Kekaha, Kauai to the potential new projects of managing the entire Waihawa (sic) ditch system on Oahu, Kau water on the Big Island, and the East Kauai Irrigation System, ADC has been able to save the water systems and put farmers on the land. This is the forte' of ADC-managing water systems and ag land.

Ms. Rasmussen goes on to state that ADC should not be involved in assisting farmers with marketing efforts, assisting farmers with financial programs, or assisting former sugar workers in transitioning to work on other farms.

## **ADC Funding and Resources**

While this study did not entail providing a detailed analysis of the annual appropriations granted to ADC by the Legislature, virtually all respondents urged that ADC be provided with more funding to afford it the resources to continue and expand its efforts. It should be noted that these are many of the same voices that have called for a redefining and possible reduction in the role ADC plays within the industry.

At its inception, it was envisioned that ADC would be a much larger, robust organization. According to DOA, ADC was to be staffed with a total of eight persons, including managers, program specialists, and clerical support. Presently, the office staff of ADC is comprised of three persons: an executive director, an administrative services officer, and a secretary. Additionally, when it acquired the Waiahole water system in 1999, ADC "inherited" seven employees who were working for the prior owner of the Waiahole water system. These seven positions included managers, supervisors, and system workers.<sup>1</sup>

DOA, DBEDT, CTAHR, HFBF, HC&S, and three individual respondents all called for more funding for ADC to allow it more resources to pursue its mandate, even though it may become a more limited or focused one. DOA, while calling for ADC to focus primarily on the preservation of agricultural infrastructure abandoned by former plantations, states: "It is evident that ADC is understaffed." CTAHR, while stating that the mission of ADC should be focused on managing large tracts of land and the irrigation and related infrastructure to support agricultural enterprises on those lands, comments: "Even with a more focused mission, ADC is still understaffed and additional staffing is needed."

Ms. Rasmussen acknowledges ADC's more focused role in managing water systems and agricultural lands dependent on those water systems, noting that ADC is operating the Waiahole water system and Mana water system and may get involved in the Wahiawa, Kau, and East Kauai water systems. Nevertheless, she states that ADC needs:

The ability and resources to hire project managers to focus on the huge projects listed above. ADC has only three positions, an executive director, an administrative services officer, and a secretary. The current work load of the staff is beyond capacity, and more projects are being proposed. ADC will have to turn away these projects unless we get approval for more positions-particularly project managers.

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1. In contrast, when ADC took over the public lands and irrigation system (including two hydroelectric plants) at Mana, Kauai, after Amfac/JMB shut down its sugar operations, rather than inheriting workers, ADC initially contracted out the work to operate and maintain the irrigation system, hydroelectric plants, drainage system and roads. It then contracted with some of its existing tenants to take over the operations in exchange for reduced lease rents. These are now the responsibility of a tenants' cooperative that was since created.

While we earlier noted that this study does not contain a detailed analysis of the annual legislative appropriations to an annual budget of ADC, in light of the collective call to increase funding to ADC by many respondents, including the ADC chairperson, it must be noted that over the four fiscal years ending June 30, 2005, ADC has had relatively substantial carry-over budget balances, as follows:

|           |                      |
|-----------|----------------------|
| 2001-2002 | \$773,118            |
| 2002-2003 | 745,592              |
| 2003-2004 | 827,918              |
| 2004-2005 | 897,924 <sup>2</sup> |

Executive Director Lee noted that he believed that, in fiscal year 2000-2001, ADC received an appropriation of \$200,000 for the Hamakua agricultural subdivision project. That appropriation was not expended, although half of the appropriation was used in the Hawaii tea project. The remaining half of the Hamakua appropriation remains in ADC's coffers. Lee further noted that, for the last year, he has been trying to hire a person to fill a newly created project administrator position. To date, has been stymied by the state civil service laws and requirements. However, there still remain questions relating to these carry-over balances.

## Performance Standards

One of the criticisms of ADC from its inception was the lack of written plans and standards for measuring the success or failure of a project or program. Recommendation 3 of the Bureau's earlier 1997 study was "to require ADC to prepare the kinds of written plans that will enable the ADC Board of Directors to monitor the status and evaluate the progress of any project or program, to approve or disapprove any project or program activity, to replicate any project or program at another place or time, and to advance any ongoing project or program to the next step, in the event that key professional staff leave the corporation."<sup>3</sup>

Several respondents indicate that the establishment of written plans and standards should be extended not just to evaluate projects and programs but also to impose standards and qualifications for all staff positions for the proper evaluation of personnel. Relating to project or program measurability, LURF comments:

The reporting mechanism between ADC, ADC Board, and the Legislature needs to be improved. Defining roles and responsibilities, oversight, and accountability all need to be done as soon as possible. Progress then can be tracked and reported. To the extent

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- ADC's annual budget summary referred to as the Agribusiness Development Revolving Fund, along with a summary of the Waiahole Water System Revolving Fund established pursuant to section 163D-15.5, HRS, for the operations and maintenance of that system, are found in Appendix K.
  - Keith H. Fukumoto, *Plan(ning) Is Not a Four-Letter Word: A Formative Evaluation of the Agribusiness Development Corporation*, Legislative Reference Bureau, Report No. 2 Honolulu:1997, p. 50.

possible, these reporting mechanisms should be transparent and built into the programs or projects through establishing measurable performance standards or milestones for the program or project. Progress can then be tracked as each project or program provides status reports.

With regard to the organization's accountability, LURF comments:

The existing statute (sic) lists the qualifications of the 11 ADC Board members, and allows them to select the Executive Director. Given the fact that the Hawaii Agribusiness Plan, although required in the enabling legislation, was never completed, we would suggest that the study also look at establishing milestones, reporting mechanisms, or performance standards for both the Board and ADC staff that would ensure proper legislative oversight in implementing the policies in the enabling legislation.

HC&S notes:

Funding to provide for good leadership and staffing of the organization is critical. Realistic timelines for accomplishing measures along with support from related agencies and organizations will improve ADC. A process of accountability to the Legislature, regular review of the Plan to ensure its relevance and assurance of long term support is also essential.

## **DOA Oversight of ADC Programs and Projects**

Pursuant to section 163D-3, HRS, ADC was established as "a public corporate body and politic and an instrumentality and agency of the State" and was placed in DOA for administrative purposes. That made ADC subject to the requirements of section 26-35, HRS, requiring, among other things, that ADC:

- (1) Communicate with the Governor and the Legislature only through the Chairperson of BOA;
- (2) Have its financial requirements submitted by the Chairperson of BOA; and
- (3) Have all its staffing, employment and job descriptions of its officers and employees and physical logistical support subject to the approval of the Chairperson of BOA.

To further bring ADC under the direct oversight of DOA, section 163D-8.5, HRS, provides: "All agricultural projects, agricultural development plans, and project facility programs developed by the corporation must be approved by the board of agriculture before implementation."

Almost half of the respondents contend that ADC needs more autonomy and to be removed from under the direct oversight of DOA. In that regard CTAHR commented as follows:

Some thought should be given to the relationship of ADC to the Department of Agriculture. Should it function as a division of the DOA, an autonomous agency, or something in between? I see a real need for an agency that can move quickly without the constraints of the state bureaucracy.

In like manner HFBF felt "ADC was formed to be a public/private organization that has the ability to bypass many of the "bureaucratic red tape" that often slows down government. ADC was modeled after HCDCH and other semi-autonomous government entities to move and procure projects more aggressively and at a more efficient rate."

MCFB was blunter, stating: "The initial intent of an independent ADC, separate from existing agencies must be implemented to allow timely action by the Corporation." Similarly, although slightly mistaken in its reading of the original statute creating ADC, LURF states "Implicit in the statutory language is the need for ADC to act independently. It established no formal relationships with existing government agencies; however, the focus on outcomes requires ADC to work with existing government agencies to achieve the desired results."

HC&S also states "ADC was designed to operate OUTSIDE of the traditional government process.... While collaborating with the HDOA and other government agencies, ADC was not meant (sic) be a part of a Department. This would place it within the bureaucratic system resulting in procedural delays in direct conflict with the original intent of the organization."

Joining in this chorus, and quite understandably, is ADC Chairperson Rasmussen:

ADC has a very competent and hard-working board. It is not uncommon for board members to attend three meetings per month. I believe that the requirement that ADC projects to (sic) ALSO be approved by the Board of Agriculture should be eliminated. This is redundant, and an overlap of effort that is not necessary.<sup>4</sup>

Fellow ADC board member Robert E. Cooper agrees, stating "We could streamline our work by allowing our board of directors to approve projects without further approval required."

Perhaps also understandably, DOA is silent on this point.

## **Hawaii Procurement Code Exemption**

As it was earlier described in Chapter 2, at its inception in 1994, ADC was granted an exemption from Chapter 103D, HRS, the Hawaii Procurement Code; however, the exemption was repealed in 2004.

Four agency and industry organizations and both responding board members of ADC urge the reinstatement of the ADC Hawaii Procurement Code exemption. DOA comments:

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4. The qualifications for members of the Board of Directors of ADC were set forth in Chapter 3.

After losing its procurement exemption pursuant to Act 216, SLH 2004, ADC has struggled to efficiently execute its contracts like its private sector partners. ADC recognizes the need to conduct its business transparently and the intent of Act 216 to ensure that business practices are ethical and lawful. However, if ADC is to be the rapid reaction force for state government to handle transitions as it was intended to be, the ability to move as quickly as the private sector is critical. The legislature should consider restoring ADC's procurement exemption status.

CTAHR notes "Finally, they (ADC) need the procurement exemption originally granted to them to enact transactions in a timely manner." HFBF joins in stating "ADC should be exempt from the procurement code. It is our understanding that this exemption was removed several years ago. In order to quickly act on priority projects or hire contractors, ADC needs to be exempt from procurement."

Again understandably, both ADC chairperson Rasmussen and board member Cooper urge the restoration of the procurement code exemption. Chairperson Rasmussen states:

Our procurement exemption status needs to be restored by the legislature. Since this exemption was taken away by Act 216, SLH 2004 ADC has been severely crippled in being able to rapidly respond to water system emergencies brought on by storms and flooding etc. If we are going to do the job the way it needs to be done-ADC needs to have the ability to hire contractors in a quick and decisive manner.

In response to a request for a direct comment, ADC Executive Director Lee provided a lengthy comment on the procurement code exemption and what it means to the smooth running operations of ADC. His response is provided here in its entirety:

The procurement exemption allowed ADC to act rapidly under time constrain (sic). There were two instances where ADC's procurement exemption came in handy. On either occasion, ADC would not have been able to justify using "emergency" procurement procedures.

- In its Waiahole Combined Contested Case Decision and Order of December 28, 2001, the Commission on Water Resources Management directed ADC to divert additional water into Waikane Stream on the windward side of Oahu. ADC was given 3 months to come up with the design and 3 months to do the construction of the outlet from the transmission tunnel. ADC used its exemption to select a consulting firm to design the outlet, which came in on time. ADC also used its exemption to select a contractor that we knew could do the work expediently. As a result, ADC finished the entire project in 7 months, a record time. We also came in under budget. We could have done better if not for rain delay. Without procurement exemption, it would have taken ADC at least 12 to 15 months to get this work done.
- Another time was during the closure of the Kekaha plantation on Kauai in 2001. When the former Kekaha Sugar plantation land reverted back to the state (DLNR), it was decided that ADC would take care of the transition. This came with very short notice. With procurement exemption, ADC was able to contract a consultant in place within a month to coordinate all activities relating to the operation and maintenance

of the 12,500 acre property and its related infrastructure (irrigation ditches, hydro electric plants, pumping stations, roads, etc.).

Act 216, SLH 2004 removed ADC's exemption from the Hawaii Procurement Code. The following is an example of a time when we really would have benefited from having the procurement exemption:

- In September 2005, the U.S. Navy awarded ADC a contract to operate and maintain the dewatering pump stations near the Pacific Missile Range Facility and to maintain the related drainage canals. ADC did its best and was not able to contract the work out to a sub-contractor until January 2006, almost 4 months after the federal contract was issued to us. With procurement exemption, we were certain that we could have [had] a sub-contractor in place in about half of the time.

## Chapter 5

### FINDINGS AND RECOMMENDATIONS

Based upon the past and present projects and programs in which the Agribusiness Development Corporation (ADC) has been and continues to be involved in, as described in Chapter 3, and the responses of the public agencies, organizations, and stakeholders in the agricultural industry in the State to the Bureau's request for comments regarding ADC, as described in Chapter 4, the Bureau arrives at the following findings, followed by three proposed recommendations.

#### Findings

- The majority of respondents to the Bureau's letter for comments are of the opinion that the Hawaii agribusiness plan required by section 163D-5, HRS, is unnecessary in view of the fact that over the decades there have been at least eight agricultural plans put forward, including the state agricultural functional plan, codified in part in section 226-7, HRS, and the latest being the comprehensive plan developed and continuously updated as the Hawaii Farm Bureau Federation's "A Strategic Plan for Hawaii's Agriculture." These respondents uniformly called for the implementation of the existing plans rather than the development of a new plan or reformulation of past plans.
- A number of respondents, including the Department of Agriculture (DOA), College of Tropical Agriculture and Human Resources (CTAHR), Hawaii Farm Bureau Federation (HFBBF), and several individuals, appeared to assume that the elements of the Hawaii agribusiness plan that the Bureau was asked to identify were already set forth in section 163D-5(a), HRS, and some of the respondents, particularly DOA, stated that many of the functions contained in that section were already being handled by the various DOA divisions and other agencies and organizations.<sup>1</sup> The strong implication was that mandating ADC to also assume these responsibilities was a duplication of effort.
- ADC has, since its creation, evolved into an agency that is principally involved in taking over the infrastructure and operations of agricultural infrastructure, primarily irrigation systems, from prior abandoned plantation operations. To the extent necessary, it has repaired and restored these water systems and infrastructure and now operates them for the benefit of adjoining public agricultural lands that ADC leases to tenant farmers (Kekaha and the proposed east Kauai water system) or adjoining private landowners and tenants that ADC sells water rights to (Waiahole water system). This was one of the immediate purposes that the Legislature envisioned for

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1. Indeed the statute states in part that the "plan shall include but not be limited to:" and goes on to enumerate nine specific elements. Section 163D-5(a), Hawaii Revised Statutes.

*FINDINGS AND RECOMMENDATIONS*

ADC in section 163D-1, HRS. As discussed in the immediate prior finding and as acknowledged by ADC, many of the functions envisioned for ADC, particularly as set forth in section 163D-5, HRS, are not being undertaken by ADC, but are being done by some of the divisions of DOA and other organizations. Briefly, ADC:

- (1) Has not established an agricultural loan program; DOA's Agricultural Loan Division maintains an agricultural loan program;
  - (2) Has not carried out or contracted for surveys or research for marketing agricultural products in local, national, or international markets; DOA's Agricultural Development Division has been handling this task, although according to DOA, recent funding and staff cuts have hindered this effort;
  - (3) Has not conducted any analysis of imported agricultural products and determined whether local production could replace imports; DOA reports that CTAHR has done this analysis and should update it;
  - (4) Has not requested authorization for or issued any revenue bonds for the development of project facilities;
  - (5) Has not utilized the Hawaii agricultural development revolving fund, established pursuant to section 163D-17, HRS, to purchase qualified securities issued by enterprises for the purposes of raising seed capital or to make grants or loans to such enterprises;
  - (6) Has not gathered and provided timely presentations of data on market demands and trends to be used to plan future harvests and production; DOA states that its Agricultural Development Division and the National Agricultural Statistics Services serve this function; and
  - (7) Has provided a grant on one occasion for the development of a tea industry on the island of Hawaii.
- Many respondents to the Bureau's letter voiced their opinion that, even in the more limited role that ADC has undertaken; *i.e.*, operating water systems and lands dependent on the systems for irrigation, ADC is sorely under funded and requires substantially more funding and staffing to carry out even this limited role.
  - ADC has been criticized for the lack of formally adopted written plans and standards for monitoring and measuring the success or failure of a project or program. A number of respondents felt these standards and monitoring measures should be formally adopted. For further transparency, some respondents urged that standards and qualifications for all staff positions be formally adopted for the proper evaluation of personnel.

- A number of respondents to the Bureau's letter felt that it was the initial stated intent of the Legislature that ADC was to be "a public corporation to administer an aggressive and dynamic agribusiness development program."<sup>2</sup> To many industry stakeholders, this meant that ADC was not to be like other state agencies, tied down in bureaucratic government red tape, but was to act as an independent agent that was able to move in immediate reaction to the need of the state agricultural industry. Some respondents pointed to the quality and dedication of the members of the ADC board of directors. These comments resulted in many respondents recommending that ADC be removed from under the control of the Board of Agriculture (BOA) and not be subject to the approval of BOA for every program or project it undertakes, as is now required in accordance with section 163D-8.5, HRS.
- Finally, at its inception, ADC was granted an exemption from the Hawaii Procurement Code. This was also to allow ADC to respond immediately to needs in the private sector. This need to be able to immediately react is especially evident with the need to protect and repair agricultural infrastructure in the event of disastrous weather events. Accordingly, many respondents urged that ADC be granted back its exemption from the Hawaii Procurement Code.

### **Recommendation No. 1**

As important as the functions being performed by the ADC may be, they are considerably more limited than the Legislature's initial vision for the agency as described in Chapter 163D, Hawaii Revised Statutes (HRS). The Legislature therefore needs to decide whether the ADC:

- (1) Should be the all-expansive entity originally foreseen; or
- (2) Be refocused to a less expansive level, possibly just to encompass the projects and programs that have engaged and continue to engage its time, resources, and energy.

Once the desired range and scope of functions are determined, the Legislature should direct the Governor to report to the Legislature on the staffing, funding, and resources necessary to implement the Legislature's vision, and how much of that staffing, funding, and resourcing can reasonably be accomplished through transfers within the executive branch of government.

As part of this report, the Governor should also be directed to make recommendations concerning:

- (1) Whether the ADC's authority to issue revenue bonds should be continued, and if so, whether the possible uses of the proceeds of the bond issues should be limited or otherwise modified;

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2. Section 163D-1, Hawaii Revised Statutes.

- (2) Whether the Hawaii agricultural development revolving fund should be terminated or transferred to a different agency;
- (3) Whether revolving funds (akin to the Waiahole water system revolving fund) should be established for the Kekaha water system and other specific projects undertaken by the ADC; and
- (4) Performance standards to be implemented by the ADC to monitor and evaluate the progress and success of its projects, programs, officers, and employees.

## **Recommendation No. 2**

If ADC remains an entity with a mission similar to the one in which it is presently engaged, the oversight role of DOA and BOA should be removed through the repeal of section 163D-8.5, HRS. Section 163D-3(b), HRS, requires the board of directors of ADC to have eight private individuals representing the various counties and "selected on the basis of their knowledge, experience, and proven expertise in small and large businesses within the agricultural industry, agricultural economics, banking, real estate, finance, promotion, marketing, and management." In like manner, section 26-16, HRS, also requires a geographically represented BOA; however, the qualifications of BOA members are described more generally: "The majority of the members of the board shall be from the agricultural community or the agricultural support sector."

Many of the respondents to the Bureau's survey believe that one of the greatest needs of ADC is the ability to react immediately to occurrences in the private sector. This reaction should be free of the constraints of bureaucracy that burden other state agencies. To require every project or program ADC is to undertake to require the approval of its own board of directors and also BOA is a redundant time-consuming process.

Similar to ADC, pursuant to section 201B-2, HRS, the Hawaii Tourism Authority (HTA) is established as a body corporate and a public instrumentality of the State and for administrative purposes is placed within the Department of Business, Economic Development, and Tourism. However, unlike ADC, HTA's executive director may represent HTA in communications with the Governor and the Legislature.<sup>3</sup> Also unlike ADC, HTA is exempt from some of the provisions of section 26-35, HRS, that require administrative supervision of its activities.<sup>4</sup>

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3. Section 201B-3(a)(6), Hawaii Revised Statutes.

4. See section 201B-5, Hawaii Revised Statutes.

### **Recommendation No. 3**

Again, if ADC remains an entity with a mission similar to the one in which it is presently engaged, the exemption from the Hawaii procurement code should be restored to ADC. As expressed by many of the respondents of the Bureau's request for comments, many responses stressed the importance of the ability for ADC to be able to react immediately, free from government constraint, whether in response to an order from the Commission on Water Resources Management or other government agency or to occurrences in the private sector. Additionally, and no less importantly, ADC must be able to immediately react to the forces of nature and acts of God, such as hurricanes, floods, and earthquakes, where possible damages may need immediate attention and repair and where the required action may not qualify for the emergency provisions of the Hawaii procurement code.

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A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. The legislature finds that Act 264, Session  
2 Laws of Hawaii 1994, created the agribusiness development  
3 corporation. The purpose of the agribusiness development  
4 corporation is:

5 (1) To administer an aggressive and dynamic agribusiness  
6 development program;

7 (2) To coordinate and administer programs to assist  
8 agricultural enterprises to facilitate the transition  
9 of agricultural infrastructure from plantation  
10 operations into other agricultural enterprises;

11 (3) To carry on marketing analysis to direct agricultural  
12 industry evolution; and

13 (4) To provide leadership for the development, financing,  
14 improvement, or enhancement of agricultural  
15 enterprises.

16 One of the responsibilities the legislature tasked this new  
17 and dynamic entity with is to create the Hawaii agribusiness  
18 plan. The plan's purpose is to define and establish goals,



1 objectives, policies, and priority guidelines for the  
2 agribusiness development corporation's agribusiness development  
3 strategy. However, this plan was never created.

4 The legislature finds that this plan is of utmost  
5 importance, because it will help to guide the agribusiness  
6 development corporation and its board of directors in each  
7 program it administers. The purpose of this Act is to direct  
8 the legislative reference bureau to conduct a study to assist  
9 the agribusiness development corporation in identifying elements  
10 to be included in the Hawaii agribusiness plan.

11 SECTION 2. The legislative reference bureau shall conduct  
12 a study to identify elements that should be included in the  
13 Hawaii agribusiness plan. In developing its report, the  
14 legislative reference bureau shall:

15 (1) Identify the government agencies involved and  
16 stakeholders who may directly benefit from the  
17 agribusiness development corporation, including public  
18 and private organizations and individuals;

19 (2) Consult with these agencies and stakeholders,  
20 including but not be limited to individuals from the  
21 department of agriculture, agribusiness development  
22 corporation, University of Hawaii college of tropical



1 agriculture and human resources, Hawaii Farm Bureau  
2 Federation, and county farm bureaus, as well as  
3 organizations of individual farmers and ranchers, as  
4 feasible;

5 (3) Obtain suggestions to improve the agribusiness  
6 development corporation and identify the necessary  
7 elements for developing the Hawaii agribusiness plan;  
8 and

9 (4) Submit a report of its findings and recommendations,  
10 including any proposed legislation, to the legislature  
11 at least twenty days prior to the convening of the  
12 regular session of 2007.

13 SECTION 3. This Act shall take effect upon its approval.



GOVERNOR OF THE STATE OF HAWAII

Approved this day: JUL - 4 2006