

SCR34 Testimony

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TESTIMONY BEFORE THE
SENATE COMMITTEE ON AGRICULTURE
AND
SENATE COMMITTEE ON COMMERCE AND
CONSUMER PROTECTION

March 28, 2013

TESTIMONY ON SCR 34,
PROPOSED S.D. 1

Chair Nishihara and Baker and committee members:

My name is Alan Takemoto, Community Affairs Manager for Monsanto Hawaii. We support SCR 34, Proposed SD 1, requesting studies relating to the research of issues arising from the potential implementation of a genetically modified organisms labeling or right to know regimen. While we have expressed concerns over mandatory GMO labeling on many levels, we believe this resolution is a reasonable legislative action. We should be using reliable information to understand all of the implications is a responsible way of achieving good public policy.

Thank you.



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SENATE COMMITTEES ON AGRICULTURE/COMMERCE & CONSUMER PROTECTION
March 28, 2013 — 1:15 p.m. — Room 229

Ulupono Initiative Strongly Supports SCR 34, Requesting the Department of Agriculture to Implement Differentiated Water Toll Rates and Charges for the Hamakua District Irrigation System

Chairs Nishihara and Baker, Vice Chairs and Members of the Committees:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono strongly supports SCR 34, which would encourage the Board of Agriculture and Department of Agriculture staff to implement differentiated water rates for the Hamakua Irrigation System. This administrative action could start the process for the most important action the Board of Agriculture can take to help ranchers address the severe drought condition AND bring statewide water systems back to economic health.

Under HRS 167, 168 and 267, the Board of Agriculture is statutorily empowered to develop water rates as it finds necessary to help keep the Irrigation system revolving fund under HRS 167-22 solvent. There is absolutely no requirement to charge the same rate on all systems, or the same rate to all users. The Board of Agriculture increased rates to all users to \$0.50/per 1,000 gallons, and on July 1, 2011 promulgated its own regulations to limit rate movements from this very high rate to no more than \$0.02/per 1,000 gallons. The Board of Agriculture also promulgated regulations allowing third parties to subsidize the rates for a fixed period of time, but this does not solve the underlying problem.

By analogy, if an airline only sold first-class seats, it would find most of the plane was empty. If that airline did not raise enough revenue to pay its operating costs, and continued to raise the price of plane tickets, it would find more empty seats on the plane. Freezing the rates at first-class ticket prices does very little to help bring new customers onto the system. In fact, what it does is reserve those seats only for first-class customers.

As a result of its very high rates, the statewide irrigation system revolving fund does not sell enough water to cover its costs even when water IS available during drought conditions that have severely limited water across the state. The entire system costs about \$1 million to operate annually but revenues have ranged between \$800,000-900,000, mostly from seed corn companies that can afford such rates because of their economies of scale. The Hamakua system — which can have upwards of 10-15 million gallons per day of water flow depending on the season — sells less than 1 percent of the total system volume because the rates are unaffordable to ranchers and farmers. The current Hamakua rates are generally affordable to such large

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operations as seed corn companies or specialty agricultural companies which rely on exports for revenues, but the terrain is not amenable to their operations.

Ranchers and farmers can afford rates between \$0.15 - \$0.25/gallon for irrigated agriculture of pasture and/or the crops can practically be grown in the soils of the Hamakua coast. Ulupono estimates that the increase in revenues from the Hamakua system could pay for the annual deficit of the irrigation system revolving fund. Therefore, this would benefit all users in the entire state, since it avoids the need to continue to raise water rates to cover the deficit, which has been the historical pricing approach by Board of Agriculture.

More importantly, affordable water would allow the ranching industry to shift to a homegrown grass-fed cattle industry where the cattle stay in Hawai'i from birth to plate. That would represent a significant shift away from an industry that ships most calves off to mature on the Mainland, providing significantly more local food, and a tremendous number of jobs.

Legislative action is needed because no action has been taken on this option except continued rate increases, despite five years of discussions with the Hamakua farmers, ranchers, and landowners.

We believe that working together we can help produce more local food, support an economically strong homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta
General Partner