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PROMOTING A RESILIENT ECONOMY FOR HAWAII FARM BUSINESSES

FIELD HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

OF THE

UNITED STATES SENATE

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

AUGUST 18, 2023

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PROMOTING A RESILIENT ECONOMY FOR HAWAII FARM BUSINESSES

Friday, August 18, 2023

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Hilo, HI.

The committee met, pursuant to notice, at 9:30 a.m. HST, in University of Hawaii at Hilo, Haleolelo Lumi Pahiahia, 113 Nowelo Street, Hilo, Hawaii, Hon. Mazie Hirono presiding.

Present: Senator Hirono [presiding], and Representative Tokuda.

OPENING STATEMENT OF SENATOR HIRONO

Senator HIRONO. This hearing of the Senate Small Business committee will come to order. Good morning and thank you for joining us at today's field hearing, as I mentioned, of the Senate Committee on Small Business and Entrepreneurship.

I thank our witnesses for being here today, and everyone who made this hearing possible, including the University of Hawaii at Hilo College of Hawaiian Language, which is hosting us here.

I would like to begin by acknowledging the tragedy that continues to unfold on Maui, as well as the fires here on Hawaii Island. In the last week, we have all witnessed wildfires tear through our communities on these islands, devastating businesses and homes, displacing residents and visitors, causing injury, and claiming lives.

Those who have lost their lives remain in our thoughts, as do their loved ones. While the devastation is on an unimaginable scale, these communities are resilient, and we will rebuild together. That rebuilding will take time. As we begin this long process, we must do so with an eye toward resiliency and sustainability.

We need to make sure other communities in Hawaii and across our country are taking steps to mitigate the risks of fires and other natural disasters. And we are seeing many more natural disasters—the frequency and the harm of these natural disasters or events that we are seeing, as I said, more and more.

One of the most important lessons we can learn from the tragedy that we are experiencing is the importance of active management of our lands and agriculture. Farms and Ag producers have long played a vital role in our State, not only feeding our communities, but also managing and caring for our land. It is critical that they have the support they need to prosper across our State.

During today's hearing, we will hear about Federal programs that are available to support Hawaii's communities and businesses,

including farm businesses recover from the devastation we have witnessed over the past week. Already, the Small Business Administration has unlocked financial assistance for businesses and individuals impacted by these fires.

Additionally, Federal agencies from FEMA to the USDA have provided human, financial, and other assistance to support our recovery efforts. And just days ago, I welcomed SBA Administrator Guzman to Maui to witness firsthand the destruction, and I am grateful for her support and the support of the SBA.

According to the U.S. Small Business Administration, the SBA, there are more than 140,000 small businesses in Hawaii. And Administrator Guzman mentioned to me there are some 700 small businesses in Lahaina. These small businesses employ over 270,000 workers and make up more than 99 percent of all small businesses in our State.

Of these, more than 2,000 small businesses are in agriculture, forestry, fishing, and hunting. Many of these businesses have been significantly impacted in the past days. As Congress prepares to consider the once every five years Farm Bill, I want to ensure we are considering the needs of these businesses.

Supporting farm businesses is critical to our economy, our land, and the sustainability of our communities moving forward. I look forward to hearing from our witnesses today about what the Federal Government and other organizations on the ground are doing to support our communities, and what more we can do in the months and years ahead.

And now I am glad that we are joined today by Representative Jill Tokuda. And for her opening remarks, Congresswoman Tokuda.

STATEMENT OF CONGRESSWOMAN TOKUDA

Ms. TOKUDA. Thank you, Senator. First of all, I would just like to express my sincere gratitude to Senator Hirono and the Senate Small Business and Entrepreneurship committee for hosting today's field hearing.

I appreciate this opportunity to also sit side by side, listen to the testimony, ask questions, and engage and participate in what will be a very important discussion on promoting resiliency among Hawaii's farm business and our agriculture industry.

As a member of the House Agriculture committee in Congress, I am advocating for policies in this year's Farm Bill that reflect the needs of our farmers, ranchers, and producers, the struggles they have, but more importantly, the hope and the opportunity that they see, as agriculture is a thriving part of an economy going forward here in our islands.

You know, there is a lot I wanted to say before this hearing started. When we were thinking about this weeks ago, and as Senator Hirono so eloquently said, so much has happened in the last week that really shifted all of our thoughts and our minds, and where our hearts are at this very moment.

What I can say is, though, we have experienced devastation here in Hawaii before. Agriculture is no stranger to this as well. If you think of the way of sugar and pine, we know that at the end of the

day we must stick together, pull together to be resilient, to overcome, and provide for our families and for our communities.

Right now, going through the State, talking about the Farm Bill over the last so many months, I have heard from farmers, ranchers, and producers of the struggles they have had to be able to manage what is a small business—but big business to them.

But what their hopes are is that we can continue to have agriculture thriving here for generations and generations to come. Focusing on this resiliency that we have had historically with agriculture——

[Technical problems.]

Ms. TOKUDA. Even the mic agrees. This is a very important topic, worthy of amplification. But knowing the struggles that we have been through, through agriculture, I think there is much that we can learn together in terms of where we must go heading into the future.

To all of the members of the panel today, thank you for being here to express your—both your support, your guidance, and your insight in terms of where we can go. You know, Ag must continue to be part of the equation when it comes to a resilient economy for Hawaii.

And while most of our agriculture farmers, and ranchers, and producers are small, it is, as I said, big business for us here in Hawaii.

So, mahalo, again for being here today, and I look forward to the engagement and discussion.

Senator HIRONO. Thank you, Congresswoman Tokuda. Today's hearing will feature two panels of witnesses. Panel one will feature Federal and State witnesses who have experience working on programs that support businesses, including farm businesses.

These witnesses have a detailed knowledge of these programs and will be able to answer questions about how the programs work, and the impact they have on businesses. Our panels include Chris Kanazawa from USDA, Sharon Hurd from the Hawaii Department of Agriculture, and Dilawar Syed, Deputy Administrator of the Small Business Administration.

Thank you all for being here. I should also note that Mr. Syed, our recently confirmed Deputy Administrator of the SBA, traveled all the way from Washington, D.C. to be here with us today, so a special mahalo to you, Administrator Syed.

And with that, we will now hear from our witnesses, starting from you, Mr. Syed.

STATEMENT OF DILAWAR SYED, DEPUTY ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, D.C.

Mr. SYED. Aloha. Thank you, Senator Hirono, for holding this hearing. Let me start by offering my deepest—my deepest condolences to all those who have lost loved ones. You know, so many precious lives lost. It is unimaginable.

The pictures just keep getting worse and worse. Our hearts are heavy, but I want you to know, Senator and Congresswoman, and members of the community, that we are absolutely committed, committed to supporting the people of Maui for as long as it takes, because we know, as you mentioned, this is going to be a long, long,

sustained recovery. SBA Administrator Guzman was on the ground last weekend with FEMA Administrator Criswell to survey the damage, and they joined you.

And since my arrival in the State early this week, I have spent time with their teams to ensure that our plans, SBA's plans, are adequate to meet this daunting challenge, and I will continue to do so.

As a frontline disaster relief agency, SBA is providing low interest loans to affected residents, businesses, and non-profits in Maui. We have already accepted hundreds of applications, loan applications, and approved—I am happy to report, that we have approved the first set of home loans over the last couple of days.

SBA staff is on the ground. As of last night, we had 34 folks fully focused and dedicated to the disaster recovery. 29 are actually in Maui, but 4 of them are in Honolulu helping coordinate the effort. And we opened a business recovery center in Maui on Wednesday.

If you are watching or later on if you see this, if you are affected and you want to apply for an assistance, the fastest way to do that is to register through disasterassistance.gov. You can also apply through FEMA's mobile app for assistance or by calling FEMA hotline at 1–800–621–3362.

Now turning to the subject of today's hearing, it is an honor to be here as the Deputy Administrator of the SBA. Because of supporters like yourself and your leadership, Senator Hirono, I am honored to have been confirmed by the U.S. Senate in a bipartisan word, and very proud to be serving our nation's 33 million small businesses.

And let me say this, the tragedies that we have seen here that have befallen on this State is one of the reasons why this is such a privilege to serve and help these communities recover. I want to thank you for inviting me to talk about our work to support small businesses in Hawaii and help them realize their entrepreneur dream.

Now, the SBA district office in Hawaii serves the largest geographic region of any district in the nation, Senator. They not only serve Hawaii, but also Guam, the Northern Mariana Islands, and other U.S. territories. Hawaii, just like the rest of the United States, is experiencing a record boom in new small businesses applications.

From 2021 to 2022, nearly 38,000 Hawaiians filed applications to start a small business. That is, for context, 63 percent higher than the rate we saw before the pandemic. Last year, when it comes to capital access at core programs, SBA approved more than $19 million in 7(a) loans and almost similar amount, $19 plus million in 504 loans to Hawaiian owned businesses. In 2023 so far, we are actually tracking higher when it comes to loan volume.

And to date, we have approved 115 small businesses for 7(a) loans worth $41 million. Another very important way we help small businesses is by plugging them into SBA services through our resource partner network.

In Hilo, we have our Hawaii Small Business Drop in Center that provides in-person services to business owners on the Big Island. Last year, the overall SBDC network in Hawaii served more than

1,250 clients, helped 67 new businesses get started, and supported more than 3,300 local jobs.

I want to highlight one of these success stories in Hilo. Emily Taaroa was born in the Big Island and studied agriculture at the University of Hawaii. She and her husband started Punachicks. Many of you may be familiar with the business. It is an organic chicken farm. Today, their operation encompasses more than 25 acres, and their chicken is sold all across the State.

And this business benefited from resources available through SBA resource partner. But we also want to acknowledge that there are many agriculture businesses that don't have access to those resources, that we have got to reach to them.

And yesterday we met a number of coffee growers in Kona Center who clearly could use our assistance as well, especially when it comes to exporting. We know that only 11 percent of agri-businesses in Hawaii export internationally, and we want to change that.

SBA Office of International Trade helps businesses access the capital necessary to enter foreign markets. We also provide grants to State organizations to help small businesses export through the State trade expansion program, or STEP.

Since 2018, Hawaii has received $2.6 million in STEP grants, which has led to $5.8 million in exports. As the Administrator and I travel across the country, the number one challenge we hear from small businesses is about access to capital. And especially when it comes to small dollar lending, Senator, especially under $150,000, that has dried out and it has gone down significantly over the past decade.

So, to address this gap, SBA has unveiled two very important new rules this year to reduce the unnecessary burden that prevents some lenders from participating in our programs. Based on feedback we see from our lending partners, we have simplified the process for lenders to make an SBA loan.

We also are working to drive more competition in the marketplace so that business owners in Hawaii have more options to secure financing that is backed by SBA. We removed an outdated moratorium on small business lending companies, SBLCs, which will expand access to capital in the underserved market. And let me underscore that point, that moratorium on SBLCs had been in place since President Reagan's Administration.

For 41 years, we could only support 14 SBLCs in our entire union. And now, thanks to the lifting of the moratorium, we have the opportunity to open three more SBLCs that will serve communities such as Hawaii. Again, Senator, thank you so much for the opportunity to be here and look forward to your questions.

[The prepared statement of Mr. Syed follows:]



Testimony of Dilawar Syed

Deputy Administrator

U.S. Small Business Administration

before the

Senate Committee on Small Business and Entrepreneurship

"Promoting a Resilient Economy for Hawaii Farm Businesses"

August 18, 2023

Testimony of Dilawar Syed
Deputy Administrator
U.S. Small Business Administration

Thank you, Senator Hirono, for holding this hearing. Before we begin today, I'd like to acknowledge the wildfires that impacted Maui earlier this month. SBA Administrator Isabel Guzman was on the ground last weekend with FEMA Administrator Deann Criswell to survey the damage and recovery.

SBA provides low-interest loans to businesses, individuals and nonprofits to help affected communities rebuild and recover. We have already accepted loan applications and on Wednesday we approved the first home loans with more being approved every day. SBA staff are on the ground and we opened a Business Recovery Center in Maui to help survivors navigate the recovery process. The fastest way to register is through DisasterAssistance.gov. You can also apply through the FEMA mobile app or by calling the FEMA Helpline at 800-621-3362.

We offer our deepest condolences to those who have lost loved ones in Hawaii. Our prayers are with those who have seen their homes, businesses, and communities destroyed. The Administration will continue working with state and local partners on the ground to assess the ongoing needs and provide resources and personnel to support response efforts.

Turning to the subject of today's hearing, it's an honor to appear before you today as the Deputy Administrator at the Small Business Administration (SBA). Because of the support of leaders like Senator Hirono, I was confirmed by the Senate to this role in June and I am proud to serve our Nation's 33 million small businesses.

On behalf of Administrator Guzman and the entire SBA, I want to thank you for inviting me to discuss our agency's efforts to help small businesses in Hawaii receive the support they need to start and grow.

At the outset, I'd like to tell you about the background I bring to this role. Prior to joining SBA, President Biden appointed me as Special Representative for Commercial and Business Affairs at the State Department. In that role, I worked to drive commercial diplomacy globally, helping level the playing field for American companies to compete and win. In that role, I visited 24 countries, including important trading partners for Hawaii businesses in the Asia-Pacific.

Before entering public service, I spent the bulk of my career in the private sector. I built a career in Silicon Valley where I launched and scaled ventures in Artificial Intelligence (AI), healthcare, software, and consumer media, and ran large business operations at companies like Yahoo!. The teams I led and built created American jobs and delivered innovation across our Nation.

As an immigrant, I have lived the American Dream. I have also worked to bring the American Dream into reach for others. That is why Administrator Guzman and I are committed to ensuring that equity is rooted in everything we do at the agency. We want to enable businesses in every part of Hawaii – and every part of our Nation – to access the resources and services we provide.

The SBA District Office in Hawaii serves the largest geographic region of any district in the SBA.

They not only serve Hawaii, but also Guam, the Northern Mariana Islands and other U.S. territories. In total, our Hawaii-based staff serve small businesses across four time zones and across the international date line.

Hawaii – just like the rest of the United States – is experiencing a record boom in new small business starts. From 2021-2022, nearly 38,000 Hawaiians filed applications to start a small business. To put it in context, that's 63 percent higher than before the pandemic.

President Biden said in his State of the Union Address that every time someone starts a business, it's an act of hope. At the SBA, we want to help each of these hopeful entrepreneurs succeed.

One of the best ways that we can help small businesses is by plugging them into SBA services through our Resource Partner network. Right here in Hilo, the Hawaii Small Business Development Center (SBDC) is providing in-person customer service to business owners on the Big Island. Whether it's advice on a business plan or helping a business find a lender in SBA's network, the SBDC is a great starting place for helping small businesses.

Last year, the SBDC network in Hawaii served more than 1,250 clients and helped 67 new businesses get started. Their important work supported more than 3,300 jobs in Hawaii.

I'd like to highlight one of our success stories in Hilo. Emily Taaroa was born on the Big Island and studied Agriculture at the University of Hawaii. She and her husband, Yaric Taaroa, started Punachicks Farm, an organic chicken farm to provide fresh food options across the state. Their chicks hatch on Oahu and are raised in Hilo using all-natural methods without chemicals. Today, their operation encompasses more than 25 acres, and their chicken is sold across four different Hawaiian Islands.

Emily's business benefited from the resources available through SBA's resource partners like the SBDC. But there are many other agricultural entrepreneurs that we need to reach, especially when it comes to exporting.

According to the Hawaii Department of Agriculture, 39 percent of Hawaii firms export ; and an even smaller number of Hawaii firms, 11 percent, export internationally.

SBA's Office of International Trade helps small businesses export their goods across the globe. During my time in the State Department, I met with American companies that faced challenges doing business abroad. I heard stories about navigating a new market and understanding the risks it entails – whether it's navigating a different currency or duties and customs.

Fortunately, the SBA, in tandem with our Federal partners like the International Trade Administration, is here to help small firms access global customers. Our staff is prepared to provide the training and assistance necessary to export. And we offer financial products to help businesses bridge the long sales cycle of international trade.

The SBA's Office of International Trade helps businesses access the capital necessary to take on new projects and offer competitive sales terms to buyers as they open foreign markets for their goods.

The SBA also focuses on providing grants to state organizations and territories to help small businesses export to international markets through the State Trade Expansion Program, or STEP. Since 2018, Hawaii has received $2.6 million in STEP funding, which led to $5.8 million in export sales and generated 360 jobs.

For example, Tea Chest Hawaii, a small business in Honolulu, knew that tourists from Japan enjoyed their tea products while visiting Hawaii, and were interested in buying their tea back home. Thanks to a STEP grant from the SBA, Tea Chest attended a trade show in Tokyo, found a distributor, and became exporters. Exporting was also a lifeline during the pandemic, when Tea Chest lost 80 percent of their revenue and were unsure if they would survive. Fortunately, a Paycheck Protection Program (PPP) loan helped Tea Chest keep their team together and they used a STEP grant to pivot to e-commerce as export orders from Japan kept the company afloat during the early part of the pandemic.

In addition to exporting, SBA is also focused on supporting agriculture-based businesses. SBA is partnering with the University of Hawaii to provide hands-on skills and resources for local farmers and entrepreneurs at the Value-Added Product Development Center facility in Wahiawa upon its opening. This partnership will encourage job creation in the agriculture sector and provide entrepreneurs the opportunity to sell directly to food manufacturers, helping small businesses expand beyond farmer's markets and grocery stores.

As Administrator Guzman and I travel across the country, we hear success stories from amazing entrepreneurs who are taking risks and building businesses that create jobs. But the number one challenge that we hear facing small businesses is access to capital. Last year alone, the SBA approved $19,306,100in 7(a) loans and $19,094,000 in 504 loans to Hawaii businesses. Already in Fiscal Year (FY) 2023, we have seen an increase in loan volume between FY2022 and FY2023: To date, more than 115 businesses in Hawaii have accessed more than $41 million in 7(a) loans.

While that progress is important, I believe we can do even more. Unfortunately, across the Nation over the past decade we have seen a decline in small dollar lending and large gaps arise in the availability of loans under $150,000.
Significant gaps in access to capital have persisted across generations for many underserved communities—and these gaps have significant downstream consequences and opportunity costs.

Earlier this year, SBA unveiled two new rules to reduce the unnecessary burden that prevented some lenders from participating in our programs. We listened to the concerns of small businesses that wanted to utilize SBA loans but struggled with the complexity in our programs. Based on extensive feedback from our lending partners and community advocates, we streamlined and simplified the process for lenders to make an SBA loan to align with best practices.

We are also working to increase competition in the marketplace so that business owners in Hawaii can have more options when it comes to securing financing. SBA removed outdated moratoriums on the Small Business Lending Company (SBLC) program, which will expand access to capital in the underserved market and help reverse the decline in small dollar lending under $150,000.

In closing, I learned early on that to be a successful entrepreneur requires hard work and grit. Many of the business owners in the room know, like I do, that the path to success is almost never straightforward, never without barriers and challenges. You need to be resilient, and ready to adapt

- yet focused on your end goal.

I'm privileged to be with you today to hear directly from Hawaii business owners about ways that we can help them grow and thrive. Thank you again to Senator Hirono for inviting me, and I look forward to your questions.

Senator HIRONO. Thank you very much. Now we are going to hear from Chris Kanazawa, who is the State Director for Hawaii and Western Pacific Rural Development, USDA. And this is your second iteration, right, in this position.

So, I am really glad that we have someone who is already familiar with many of the issues that come to you, and I have known Chris for a long time, and he is a can-do guy, and that is the kind of person—as is Administrator Syed, by the way.

We want only can do people to come and talk with us about how we can support our businesses, especially in the Ag sector. So, Chris, please.

STATEMENT OF CHRIS KANAZAWA, STATE DIRECTOR FOR HAWAII AND WESTERN PACIFIC RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE, HONOLULU, HAWAII

Mr. KANAZAWA. Aloha. Thank you, Senator Hirono, Congresswoman Tokuda for the opportunity to speak before the Senate committee on Small Business and Entrepreneurship to share the role of the United States Department of Agriculture's role—mission area, how it plays in advancing prosperity for farmers and ranchers, as well as always, rural communities. I am Chris Kanazawa, Hawaii State Director for USDA Rural Development.

My area of responsibility covers the State of Hawaii, the U.S. territories of Guam and American Samoa, the U.S. Commonwealth of the Northern Mariana Islands, and three freely associate States of the Republic of Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Hawaii Rural Development has five offices in the Hawaiian Islands of Maui, Kauai, Molokai, and here on the Big Island of Hawaii.

On behalf of the USDA Rural Development, I would like to offer my heartfelt condolences to those who have lost loved ones in the wildfires in Maui. My mother was from Maui, and so I have much aloha for the island and the community. It is impossible to measure the devastation that these wildfires have brought to Hawaii and Maui when you consider all the lives that have been lost and upended.

For as long as it takes, the Biden-Harris Administration and USDA will deploy every resource at our disposal to help the families and communities rebuild their lives and homes. We are thankful that all of our employees and families are safe.

However, Maui is a small community, and we all know someone who has been affected by the wildfire. Our employees grieve for the community of Lahaina, just as all of Hawaii grieves. The loss of a historic community with rich culture, while tragic, cannot compare to the devastating emotion felt by our employees and all the people of Hawaii.

Rule development continues to be strong and is already working to utilize resources at our disposal to help displaced communities. Rural development programs, while not designed as emergency response programs, will help rebuild the quality of life and increase economic opportunities for the community with financial assistance for housing, small businesses, farms and ranches, health, education, and social community facilities, infrastructure, and utilities.

I have submitted written testimony that provides more detail on Rural Development's ongoing programs that support small businesses and agriculture producers, and I am happy to follow up on any questions you may have. But I would like to spend my time with you today to talk about the Rural Development is doing—what Rural Development is doing as it relates to the current disaster efforts.

We are reaching out to all of our housing borrowers affected by the wildfires with we care letters, offering claims and payment assistance packages. Rural Development has increased its housing repair grants from $30,000 to $40,000, and waiving age requirements.

We are taking inventory of vacancies in Rural Development's multifamily housing projects that may be used to offer temporary housing for displaced residents. Rural Development also has emergency and intermittent—and imminent community water assistance grants that are available to help communities prepare and recover from an emergency that threatens the availability of safe, reliable drinking water. Rule Development is the long term rebuilding partner.

We are here for the duration and standby ready to support our rural communities. Rural Development programs will play a key role in rebuilding the devastated communities from the ground up. Rural Development's rural housing services will provide financial assistance for affordable housing and community facilities, for medical, education, social, and public service needs.

The Rural Business and Cooperative Services will assist small rural businesses for facilities and equipment, technical assistance, energy efficiency systems and improvements, and working capital. And the Rural Utilities will finance basic water and wastewater infrastructure, telecommunication, high speed internet, broadband, and electrical infrastructure.

This committee, and the agencies on this panel, have the greatest opportunity to support these businesses to rebuild and reopen, and Rural Development and USDA are prepared to stand by and help.

Mahalo, Senator Hirono, Congresswoman Tokuda for this opportunity to share with the committee, USDA Rural Development's activities in supporting small businesses, agriculture, and rural communities.

[The prepared statement of Mr. Kanazawa follows:]

Testimony Provided to the Senate Committee on Small Business and Entrepreneurship

Statement by Chris Kanazawa, Hawaii State Director

USDA Rural Development

August 18, 2023

Thank you Senator Hirono for the opportunity to speak before the Senate Committee on Small Business and Entrepreneurship to share the role the United States Department of Agriculture's Rural Development mission area plays in advancing prosperity for Hawaii's farmers and ranchers, as well as for all of Hawaii's rural communities.

I am Chris Kanazawa, Hawaii State Director for USDA Rural Development. My area of responsibility covers the State of Hawaii, the US Territories of Guam and American Samoa, the US Commonwealth of the Northern Mariana Islands, and three Freely Associated States of the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Hawaii Rural Development has offices on 5 of the Hawaiian islands (Oahu, Kauai, Maui, Molokai, and Hawaii).

On behalf of USDA Rural Development, I would like to offer my heartfelt condolences to the families and the Lahaina community for their tragic loss. My mother was from Maui and so I have much Aloha for the island. Please know that Rural Development stands ready to provide all of its resources to help Lahaina, as well as to the communities of Kula and Kihei, rebuild.

We are thankful that all of our employees and their families are safe. However, Maui is a small community, and we all know someone who was affected by the wildfire. Our employees grieve for the community of Lahaina, just as all of Hawaii grieves. The loss of a historic community with rich culture, while tragic, cannot compare to the devastating emotion felt by our employees and the people of Hawaii.

Rural Development continues to be strong and is already working to utilize the resources at our disposal to help the displaced community. Rural Development programs, while not designed as emergency response programs, will help rebuild a quality of life and increase economic opportunities for the community with financial assistance for housing, small businesses, farmers and ranchers, health, education, social community facilities, and infrastructure and utilities.

Here in Hawaii, as well as across the nation, rural communities are a source of food, water, natural resources, commercial and military workforce, and rich culture. When rural communities thrive, everyone benefits. Under the Biden-Harris Administration, we strive to strengthen and support rural communities across America and the Western Pacific to ensure the access to infrastructure, health care, social services, and technology are available.

Yet rural agriculture communities face complex challenges with access to capital, lack of infrastructure, and limited utility and social services. This is especially true in Hawaii. Nearly 80% of Hawaii's farming and ranching industry is comprised of small-scale agriculture

producers, with average farms ranging from 10 – 250 acres and gross revenues less than $50,000.[1]

This scale of operations presents major challenges like high transportation and shipping costs, labor shortages, high cost of production, limited access to capital, and the geographical challenges facing island communities, especially in Hawaii. That's why earlier this year, USDA announced new Regional Food Business Centers that will provide national coverage coordination, technical assistance, and capacity building to help farmers, ranchers, and other food businesses access new markets and navigate federal, state, and local resources, thereby closing the gaps to success. The center located in Hawaii is led by the Hawaii Good Food Network and will serve not only Hawaii, but other remote communities as well.

Additionally, Rural Development programs provide these communities with impactful resources related to access to capital and credit for affordable housing, water and wastewater infrastructure, community facilities, high speed internet, and business development. With patient capital, Rural Development offers resources to assist rural communities in the investment of schools, hospitals, housing, water, electric, broadband, energy efficiency, and resources for agricultural businesses. Access to these essential services provide the foundation in strengthening rural communities.

USDA Rural Development Programmatic Support

Given the small scale of Hawaii's agricultural producers, they are at times overlooked as businesses that contribute to their rural economies, but USDA Rural Development knows that these producers are rural businesses and job creators.

Through the USDA-Rural Development Rural Business Cooperative Services branch, we have programs that provide business owners and agricultural producers with access to affordable capital essential to business development, growth, and job creation.

The Value-Added Producers Grant has been a popular program among farmers and ranchers that helps them enter into value-added activities related to the processing and marketing of new products. The goals of this program are to generate new products, create and expand marketing opportunities, and increase producers' income. The VAPG provides Planning Grants for conducting feasibility studies and developing business plans and Working Capital Grants for marketing and advertising expenses, value-added processing costs, distribution, and certain inventory and salary expenses.

Here on the Big Island of Hawaii, the Kawamata Farms, a hydroponic tomato farm, is a good example of how a $250,000 VAPG provided the farm with necessary working capital to expand their market to increase sales of its locally grown on-the-vine fresh tomato produce. The funds were used to create customized packaging for its on-the-vine fresh tomatoes and marketing collateral and distribution to its wholesale customers. Today they are producing more than 30,000 pounds of fresh tomatoes per week.

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[1] Hawaii Department of Agriculture Hawaii Commercial Agricultural Expansion Survey 2021 Fact Sheet

Operational costs can be burdensome for small farmers. The Rural Energy for America Program (REAP) gives agricultural producers and rural small businesses a way of reducing their energy costs while participating in climate-smart practices. Thanks to the Inflation Reduction Act, REAP has seen increased funding, allowing for more, and larger, awards to be made in rural communities, where costs are especially high. Clean and efficient energy production is deeply rooted in the social and fiscal fabric of rural communities as well as with Hawaii's state initiatives. In addition to being responsive to climate change and shifting from fossil fuels to cleaner sources of energy, this transition also has a positive impact on the energy costs of farming and ranching.

For example, this funding has helped the Hawaii Ulu (breadfruit) Producers Cooperative in Kona, Hawaii. The Hawaii Ulu Producers Cooperative is a farmer-owned business with a membership of more than 100 small farms on 4 Hawaii islands. The cooperative is working to revitalize ulu (breadfruit) as one of the Hawaii-grown staple crop in addition to taro, (Kalo) sweet potato ('Uala), and pumpkin (Pala'ai) to strengthen Hawaii's food security. Through REAP grants, this agricultural cooperative was able to produce more than 67% of its energy needs with a solar photovoltaic system and install energy efficient freezers, resulting in over 84,000 kWh savings per year.

Like all rural residents, farmers and ranchers also need essential community infrastructure, which is fundamental to ensuring rural areas can provide a good quality of life and basic services to residents. This backbone infrastructure includes clean and safe drinking water, access to capital, and affordable housing.

Rural Development's Water and Environmental Programs provide funding for clean and reliable drinking water systems, sanitary sewage disposal, sanitary solid waste disposal, and storm water drainage to households and businesses in rural areas. Recent successful projects have benefitted native Hawaiian communities funding more than $31 million in water system, wastewater, and storm drainage improvements serving native Hawaiian homestead residents on three separate Hawaii islands. WEP funding of more than $9.5 million has also assisted county governments with replacing aged water system mains and fire protection and addressing wastewater disposal violations.

Through USDA-RD's rural business programs like Rural Business Development Grants, Rural Cooperative Development Grants, and Business & Industry Loan Guarantee Program, and the Intermediary Relending Program, business have access to capital to grow their businesses.

Rural Development has programs that link family well-being with the prosperity of rural communities. Essential to sustainable rural communities is the availability of affordable and safe housing and access to medical and social services, as well as affordable clean energy.

Rural Development's Rural Housing Services is committed to ensuring people living in rural communities have equitable and affordable access to housing. Rural Development offers a diversity of affordable loan and grant housing programs that include, Single Family, Multi-Family, Self Help, Farm Labor Housing, and repair and renovation for the elderly and very low income families.

Rural Development's Community Facilities Programs offer direct and guarantee loans and grants to develop or improve essential public services and facilities in rural communities. Rural Development offers access to capital to local and state governments, public bodies, and non-profit entities to fund health care and safety facilities, schools, libraries, community facilities, and other public serving facilities.

Through the Inflation Reduction Act, two new programs designed to support clean energy production have been developed.

The Powering Affordable Clean Energy (PACE) program is part of the Inflation Reduction Act, which represents the largest investment in rural electrification since President Franklin Delano Roosevelt signed the Rural Electrification Act into law in 1936. With $1 billion in funding, PACE helps make clean, affordable, and reliable energy accessible to the people of rural America.

Under PACE, USDA Rural Development's Rural Utilities Service (RUS) will forgive up to 60 percent of loans for renewable energy projects that use wind, solar, hydropower, geothermal, or biomass, as well as for renewable energy storage projects.

PACE funding makes it more affordable for rural Americans to use clean, reliable energy to heat and cool their homes, run their businesses, and power their cars, schools, and hospitals.

The Empowering Rural America (New ERA) program helps rural Americans transition to clean, affordable, and reliable energy. By reducing air and water pollution, New ERA funding improves health outcomes and lower energy costs for people in rural communities. New ERA program funding is available to member-owned rural electric cooperatives, which have been the backbone of America's rural power delivery for nearly a century.

Conclusion

With offices across the Hawaii Island chain, in the Western Pacific, as well as 46 other Rural Development State Offices across the nation, Rural Development strives to ensure that all farmers and communities can benefit from USDA investments and we are working to ensure equity is at the center of our programming in rural communities.

Rural America is the backbone of our economy and deserves access to a decent living on the farm, a decent paying job, access to health care and education, clean drinking water, broadband internet and the infrastructure needed to build and maintain a vibrant community. The Biden-Harris Administration has been working hard to continuing to fight for rural communities, and farmers, ranchers, and foresters who sustain them.

Senator HIRONO. Thank you very much, Mr. Kanazawa. Sharon Hurd is the Director of the State Department of Agriculture.

I know you have a lot of experience in supporting agriculture, but it remains a very challenging for us to really support Ag in the way that will contribute much more to our food sustainability.

So, please go ahead with your testimony, Ms. Hurd.

STATEMENT OF SHARON HURD, CHAIRPERSON, HAWAII DEPARTMENT OF AGRICULTURE, HONOLULU, HAWAII

Ms. HURD. Thank you, Senator Hirono, Representative Tokuda. With Maui at top of mind, with Hawaii Island top of mind, I am going to—I am honored and privileged to have this opportunity to speak on behalf of the Department of Agriculture.

On my testimony, on behalf of the topic, promoting a resilient economy for Hawaii businesses, is basically going to be ways to improve and expand on the Federal programs that support Hawaii businesses in the agricultural sector.

Our Congressional delegation does a fabulous job bringing us the kinds of grants that we need. They really do. If you—grants.gov, you can see all the grants that they bring. But I am here to testify that the main challenges that Hawaii small farmers face in seeking Federal grants are, the first thing is that applying and administering the grants is really tough.

It is very complex. You really need a simplicity HR, or some kind of a back room to help you with it, because it is complicated. The second thing that is difficult for small farmers to attach themselves to a Federal grant is that sometimes the concepts that the Federal grant supports, it is pretty, I am going to say, ivory tower and kind of a theoretical type concept.

Sustainability, climate change, climate resiliency, cooperative interactions, all really important concepts, but to a small farmer, they don't find a way to attach themselves to that to secure the funding that they need.

And the third thing that I am going to see is a challenge to the small farmers in accessing Federal grants, is that while they are doing that, there is actually a loss of productivity while executing the grant. In the 2017 Census of Agriculture, of the 7,328 farms in Hawaii, 78 percent of the farmers reported farm value sales of less than $25,000.

So, 78 percent reports less than $25,000. Those are subsistence farmers or farmers that do farming on the side. We have to help these farmers scale up, provide them some sort of resources because they are ready. They are ready to bust out. They just need to know how to do that. 62 percent reported farm value sales of less than $10,000.

And small family farms make up 91 percent of all the Hawaii farms. Many of the new farmers are immigrants from Southeast Asia or new farmers from the local population. So, while there are various solutions to these three barriers that I just mentioned—for instance, include funding in the grant to—for a service provider to help them actually administer the grant.

Develop grant programs that focus on the farmer, how to support their operations, provide what they need, and meet the conceptual goals that the nation needs to meet. And then the third is to create

outcomes and indicators that the small farmer find—sorry, create outcomes and indicators that the small farmer finds value, he can benefit from that, and continue to benefit from that.

The outcomes and indicators need to be relevant to them. Okay, so what I want to say is those are good challenges, but what is going on today is really helpful. And what it is, is that recent Federal programs such as the Regional Food Business Center Program, Hawaii was awarded $30 million, UH. The Resilient Food Systems Infrastructure Program was a $3.2 million award block grant. Partnerships for Climate Smart Commodities was $40 million.

The reason I highlight these grants is because they are top down grants. They are large amounts of money, but they make—they force the community to collaborate. Department is not competing with UH, is not competing with groups who are working together to come up with a program that is rich and robust, then we were able to help the farmer with their programs. If their farmers are not writing it, we are.

These really robust grants are really good for the direction that we are going. I think it is wonderful. Programs, however—programs such as the specialty crop block grant program or micro grants for food security, they also are wonderful and really make a difference, are game changers for the small individual type farmers.

So, the programs you are providing, excellent. I like to focus on the regional type partnerships as well as the individual farmers. And I think the pandemic has really focused this on resilience. And I think a lot of our programs today are focused on resilience.

So, thank you for the opportunity. Waiting for the questions.

[The prepared statement of Ms. Hurd follows:]

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Governor

SYLVIA LUKE
Lt. Governor

SHARON HURD
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Sharon Hurd
Chairperson, Board of Agriculture
Hawaii Department of Agriculture

RE Testimony on behalf of "Promoting a Resilient Economy for Hawaii Businesses", ways to improve and expand federal programs that support Hawaii small businesses in the agricultural sector.

The main challenges Hawaii small farmers face in seeking federal grants are 1) applying and administering the grants – overcoming barriers of compliance, language, fiscal processes and reporting; 2) theoretical concepts – sustainability, climate change, climate resiliency, cooperative interactions; and 3) loss of productivity while executing the grant. In the 2017 Census of Agriculture, 78% of Hawaii farmers reported farm value of sales less than $25,000 with 62% reporting farm value of sales less than $10,000. Small family farms make up 91% of all Hawaii farms. Many of the new farmers are immigrants from Southeast Asia or new farmers from the local population.

While there are various solutions to the three barriers noted, 1) include funding for a service provider to handle the accounting and reporting; 2) developing grant programs that focus on the farmer – how to support their operations, provide what they need and meet the conceptual goals; and 3) create outcomes and indicators that the small farmer finds value in continuing – the recent federal programs such as the "Regional Food Business Centers Program" ($30 M award), the "Resilient Food Systems Infrastructure Program" ($3.2 M award), the "Partnerships for Climate-Smart Commodities" ($40 M award) provide a top-down approach to supporting Hawaii small businesses in the agricultural sector. By awarding funds to a hui of committed partners with the institutional knowledge to create, manage and monitor programs that can be specific to providing the resources that a farmer, food hub or commodity group needs to expand and/or become commercially profitable, the projects have a high degree of success to benefit the small farmers.

Programs such as the Specialty Crop Block Grant Program, and Microgrants for Food Security Program provide funding for specialty crops important to Hawaii – cacao, coffee, kalo, uala, ulu – and provide funding to individuals to increase the quantity and quality of locally produced food in food insecure communities – and are vital parts of the HDOA support for Hawaii farmers.

Senator HIRONO. Thank you. We will now move to approximately 20 minutes of questions from me and Congresswoman Tokuda.

So, Ms. Hurd, since we heard from you last, you talked about a lot of Federal grants that are available. Are they—first of all, are the grants applicable enough in terms of the criteria for small businesses, particularly farmers, to apply for these grants, or are there aspects to these grants that make it hard for our people to qualify?

And also, if there is enough in grant funds that go to our farmers. And I think I heard you say that the 75 percent of our people in Ag what, make less than $25,000? So, are those some of the limitations in applying for Federal grants in the Ag sector?

Ms. HURD. I think what you are doing today is really——

Senator HIRONO. Can you get closer to your mic, please.

Ms. HURD. Yes, sure. I think what you are doing today is really good. You are actually targeting that group of people that are reporting income of less than—sales of less than $25,000, with grants like the current Resilient Food Systems Infrastructure grant.

The one component in that grant that was really insightful was the equipment piece. You awarded between $10,000 and $100,000 to small businesses for equipment with no match.

Now, that is a really impactful piece because if you are a food hub and all you need is additional refrigeration to take in food from an additional 20 farmers—refrigeration is expensive for a food hub, but with this $100,000 limit, they can go out and buy four different freezers and start really scaling up, and helping the farmer then, passing it on to the farmer to grow more and make more.

So that is—that was good. As far as what you said earlier, do we need more money? Senator, the micro grants for food security was a wonderful grant. It was difficult to administer, but the amount of money, $5,000 made such a difference to the individual homeowner.

Senator HIRONO. And are those grants from USDA?

Ms. HURD. Yes, USDA AMS.

Senator HIRONO. So, I think that we need to recognize how important it is for flexibility for USDA. And Mr. Kanazawa, I visited with the largest food bank in Hawaii. And one of the most desirable things that their clients need are fresh fruits produce.

They cannot use, as far as I understand, USDA money for those items that they—our food banks have to use private sources of funds to acquire the fresh produce. And we don't get enough of it, and this is something that I want to very much follow up with you that we don't get, I think, our share, Hawaii, our share of the kinds of this kind of produce that goes to other food banks in the rest of the country because of just distance, because of other limitations.

And for Ms. Hurd, we would like our food banks to purchase food from our farmers, and right now they can't use Federal resources to do that. So somewhere along the way, we need to have these things come to, you know, a cooperation and to identify that this is an issue, and to work on it because this is another way that we can support Ag in Hawaii. And Ag in Hawaii needs a lot of support.

And even the food banks being able to purchase our farmers produce, that would be, I think, a very positive step. So. Mr. Kanazawa, I would really like your assistance in figuring out this part of USDA's limitations.

Mr. Syed, I know that SBA is one of the agencies in what we refer to as the, all of the family of State—Federal agencies that are present on Maui, and SBA is going to be a long term partner in our recovery.

So how long will SBA be on Maui, can you tell us, in terms of helping the recovery efforts there, because there are some 700 businesses, small businesses. I don't know whether they have already signed up. I mean, they are still going through a huge time of loss.

So can you just talk a little bit about how your presence will continue on Maui, which is my hope and expectation.

Mr. SYED. Absolutely, Senator. So, we were on the ground literally as soon as the disaster hit. And what I can assure you is that we will stay on the ground as long as it takes to support those who need us. Small business owners, as well as residents, because we also process home loans, as well as folks who have lost personal property, including cars.

And you can see in pictures, virtually everyone lost their vehicle as well. So, in short, we are going to stay there, as the President said, follow the response, and SBA, I can speak on behalf of the SBA Administrator, that we will be on the ground for as long as it takes.

Let me also share with you that when you look at what has happened in the country when it comes to fire disasters, Paradise, California, my home State, it was big news about a year ago, two years ago, devastation that we had never seen in the State. The city has yet to recover. This takes a long time——

Senator HIRONO. Yes.

Mr. SYED. And this is even frankly, more challenging here. You know, we were talking with the disaster teams and normally they have been—experience with flooding and tornadoes, and often that, you know, folks that are stranded, they are helping them. And they go door to door, and there are no doors here, Senator. Like there is nothing in this community.

So, the playbook is different. It is going to have to take us to stay there for a long haul, talk to resource partners, build relationships in the community. The community is dispersed all over the place.

They have gone to the families. They have obviously, some of them are in shelters. So, we are going to have to put this for a very, very long time, and we are committed to doing that.

Senator HIRONO. Thank you. And when I mentioned the Federal family of agencies, I am talking about not only SBA, and I think the SBA has been there at every disaster and their long term commitment is very much appreciated. But the Federal family includes the Department of Defense, Energy, of course, USDA, EPA, DOT, Army Corps.

So, this is what we refer to as a Federal family of agencies. And the continuity of effort will be very much required because the recovery of Maui, as well as on the Big Island, will take time and resources, and we need to have a continuing commitment.

As we focus on the support for Ag, with especially as Congresswoman Tokuda is on the Ag committee and we are working on the five year new Farm Bill, it is going to be really important that that bill reflects a lot of support for the kind of agriculture that we have in Hawaii.

We are not the commodity crops. We are specialty crops. Everything in Hawaii is considered specialty crops. And for too long, in my view, our Ag programs have supported the commodity crops. That would be cotton, soybeans, you know those are the big commodity crops and we do not have any of those.

So, I want to make sure, working with Congresswoman Tokuda, that the next Farm Bill very much reflects the commitment to the small farmers that we have. Mr. Syed, you also referred to the coffee growers yesterday at Kona, and I think they said that they don't have that much familiarity with SBA and what programs SBA offers.

So, what is the thing that you mention to them that you would be committed to doing in working with them?

Mr. SYED. Absolutely. And well, actually, let me echo what you said. Hawaii is the only State in the union that produces coffee. And I think many of us are coffee drinkers and we should appreciate that. So, I hear you that there should be greater awareness of SBA resources to our agriculture businesses here, including coffee growers.

So, what I proposed was that I want to lead a session, a virtual session, where we can expose our breadth of our services and programs to Kona based coffee growers so they know what are the various loan programs, other entrepreneurial programs, so they can benefit from. We have welcomed the new head of Rural Affairs.

You know, Ania is here with me, and so she will help lead—and I will personally be involved in that as well, to make sure that folks know what programs we have to support them.

Senator HIRONO. I am really glad that you heard from the coffee brewers directly, because one of the challenges that we always face is really the awareness of the people here, and I would say especially in the rural communities, awareness of the support they can get from Federal programs. So, they need to know about it. Outreach is really important and follow through. So, it was really great that you were there. Congresswoman Tokuda.

Ms. TOKUDA. Thank you. And I just wanted to reiterate as well, Senator Hirono did mention our desire to be able to purchase more food for our food banks from our local producers.

She and I are actually leading up the effort to really make sure in the 2023 Farm Bill that we have the TEFAP direct purchase go through, so noncontiguous States like ourselves can really make sure we can do direct purchasing and we can purchase right from our farmers and get nutritious food into—to our people, onto their tables. So really appreciate her leadership on this particular effort and working with me on this.

Mr. Syed, you know, I want to take it from two approaches, one, the lender's perspective, and one, the applicant's perspective. So, I wanted to start with the applicant's perspective, which I think is important. You mentioned a decline in small dollar lending that we have seen likely primarily among the 7(a) small loan programs, so $150,000 or less.

Is SBA able to offer technical assistance, and for us here in Hawaii, language access for those individuals that really need it to make these loans more accessible for people? Can we look at even

more streamlining and simplicity because of the disastrous situation that we are in?

And I know collateral requirements are still in existence for loans of $50,000 to $150,000. Is there some consideration to maybe removing some of those collateral requirements? And as you look at Lahaina, going up to $500,000, we are going to see significant loans needed given the scale of the damage.

Can we also consider some additional easing back of the collateral requirements, given the kind of money that is going to be required of people who right now have nothing?

Mr. SYED. Absolutely. So, it is two very important points that while we are on the ground, we want to make sure we assist applicants who, by the way, are traumatized right now as we speak, assessing what all they have lost, which is virtually everything and what their decisions are about rebuilding their lives and businesses.

And when I was looking at the data, there is a significant, you know, minority population, obviously, the Vietnamese communities, the Filipino community, native Hawaiian population, and we are looking at what language assistance we can provide.

I was talking to our Lieutenant Governor Luke the other day when we were at the food bank, and she made a very good point, and she said, while some of the folks may be language wise okay, but when it comes to filling an application of this nature, it gets pretty technical, and you want to provide that support.

So, we will bring in language resources to that and to make sure that there is no friction in the process of them filling out forms. With respect to collateral, my understanding is that collateral is not a requirement, but we do ask folks, in the current process to actually, if the ability to have collateral in there.

We will explore what is possible here, again, to take those burdens off, given that folks have lost everything. There is no—in many cases, perhaps there is no collateral to be even provided, and we have to see that. We have to be empathetic to that. So, we will look what we can do there, what the rules there are, and if we need to also make some changes——

Ms. TOKUDA. Very much appreciate that. Yes, and maybe looking now at the lenders portion, you mentioned in your testimony that earlier this year, you took steps to simplify and streamline the process, so we have more lenders, more competitions.

Just given where we are right now in a disaster situation, we need to increase the amount of lenders and competition. Is there anything more we can do to remove additional complexities to the program so we can get people timely access to the funds that they need?

Mr. SYED. So, I think the pandemic, you know, taught us this lesson that you had—it was really community banks and CDFIs, local banks that actually reached underserved, that reached black owned businesses, brown owned businesses. The big banks did not do that. And here again, we have a similar situation.

And that is precisely why, Congresswoman, we have been making these steps, realizing that we are going to see more instances of these disasters in the face of climate change, and we want to make lending more available at folks' doorstep.

So, what we are hoping is that when it comes to Community Advantage Program that we do have, which we didn't talk about in my testimony, that there are—my understanding is there are lenders from Hawaii who are applying. I hope it will encourage more lenders to apply.

And if they of course, if they go through the process, that they could be one of the—one of the sources of capital that is backed by—supported by SBA that can be made available in the community.

What we have to recognize is, I think you all have said this, this is not a one-week, two-weeks, one-month, two-month, six-month, one-year problem. This is a multi-year problem. Even if some of those banks are not, let's say, available today, and even if they come online, let's say, in a year from now, they would still add a ton of value because there is so much that has to be built. We are literally in a war zone like situation, and everything has been raised to ground.

So, the good news is that we are—our reforms have created an environment where we are welcoming these local banks now, learning from the pandemic lessons, and thanks to the Administrator's very strong leadership.

And we want to invite non-local banks institution to apply so they can be in the communities offering these loan products backed by SBA.

Ms. TOKUDA. We definitely would love to see more local participation——

Mr. SYED. Absolutely.

Ms. TOKUDA. They understand our community and are very sensitive to where everyone is at right now. I would also encourage—I am heartened to hear that you will be leading a virtual session for more of our producers.

I would encourage as well, if it is possible to do some in-person throughout our islands. Broadband access is sometimes difficult for, you know, some of our communities, and even having the time to log on to a virtual session can be difficult. So, I am sure working with our offices, if we can take it to the people, I think that would be outstanding as well. And language truly is an issue.

This county is the most populated with non-English speakers in the entire State. So, it is not just Tagalog or Spanish, it is Ilocano, it is many of our, you know, different languages as well. So, you know, please top us to assist in this particular process. Mr. Kanazawa, I just have one quick question.

You really covered a lot of good things. Now, in terms of the Value Added Producers Grant, this is long term really that we are looking at—in order for people to rebuild and to continue to sustain and build their operations throughout our State, we know that they need processing facilities, they need access to things that will allow them to create value added products.

Now, it is hard for a producer to do one by one. Have you been looking at funding, perhaps co-op type of opportunities for a number of different growers or producers in a region line?

Lahaina could actually be one of these particular areas where, whether it is commercial kitchens or processing facilities, being able to access this is something they can afford to do on their own,

but as a group it might really propel an industry forward and support numbers of different applicants.

Mr. KANAZAWA. Yes. I totally agree. Given the size of our farms, our small farms, it is important to ensure that there is some industry infrastructure that is available. And so Rural Development does have funding for food hubs, innovation centers that will provide for centralized processing.

So, we do provide that broad regional infrastructure. In addition to that, though, specific to, as you mentioned, the Value Added Producers Grant, we are—Rural Development provides funding to help the profitability of our farmers, whether it be through our Value Added Producers Grant, whether it be even our Rural Energy for America Program that lowers costs.

As an example, here on the Big Island, there is a Hawaii Oulu producers cooperative that has used our Rural Energy for America Program Grant, and they have been in—and this cooperative is made up of over 100 small farms across four islands.

They have been able to generate over 65—67 percent of their energy through a solar photovoltaic system, and they have been able to save over 84,000 kilowatt hours through this. So, all of this, what we look at in supporting our Ag community, is how do we find ways to improve their profitability.

And so, through individual programs that help individual farms, as well as the regional infrastructure, Rural Development is prepared to support.

Ms. TOKUDA. Thank you. And Mr. Kanazawa, I would just ask, I know you eloquently stated the ways that you are supporting our community now, but if you can help provide our office with information how immediately you are providing relief to folks in Maui on housing, access to drinking water, and broadband.

These are three critical areas to keep people safe and connected, which we are prioritizing right now. But we would love to go to continue to put that out towards the community, to let them know what you are doing. And we know in the long term, you are going to be a valuable asset to providing in these areas.

Mr. KANAZAWA. Yes.

Ms. TOKUDA. And Ms. Hurd, I would just state that I do know—I appreciate the comments of all the things that are needed from a technical assistance perspective, and the needs of farmers, and the grants that are available.

I just commit to continuing to work with you to make sure we have the capacity to actually apply and execute these grants because we know that there is money out there, but these are very busy folks that are helping to feed everyone, and we need to make sure we have that technical assistance, the capacity to apply for the money they deserve. Thank you, Senator.

Senator HIRONO. Thank you. And Congresswoman Tokuda, I am really glad you happened to mention the importance of food hubs. As it turned out, I visited the Malama Kauai food hub, and this is an actual building where the farmers, some small farmers who could never afford to have a building like this, where they can bring their produce process to value added, a certified kitchen, all of that, without some support.

And I have provided $2.4 million in earmarks, so, for that. And so there are things that we can do along those lines. But I would say that food hubs are a really important way that we can support the small farmers in scaling up value added, all of that.

I have one question more for Mr. Syed. Can you tell me whether the Supreme Court's affirmative action decision has impacted SBA's ability to target women and minorities in your programs?

Mr. SYED. Senator, I am glad you asked the question. Obviously, we are tracking this. We are—we don't see an impact, or we have not seen any guidance made available. But I can also follow up with you to see whether something that I am not aware of that we are doing differently.

Senator HIRONO. I think to the extent that SBA programs target women for a particular kind of support, that—I think that is something that the SBA could have an impact. So, you know what, I just want everyone to know, the Supreme Court's decisions have an impact on a lot of different things that you may not think is being resolved or addressed by the Supreme Court.

But this is one area that we are tracking because the Small Business committee spends quite a lot of time talking about and asking SBA whether they are meeting their target growth goals for supporting minority businesses and women owned businesses.

With that, we are going to take a five minute recess for the second panel. I thank the first panel for your testimony. Mahalo.

Mr. SYED. Mahalo.

Senator HIRONO. Five minute break.

[Break.]

Senator HIRONO. The hearing will resume. We will now convene our second panel. Just to reiterate, in panel one, we heard from Federal and State witnesses who have experience working on programs that support businesses.

And these witnesses shared their knowledge of the programs and answered questions about how the programs work. And, of course, there is always room for improvement. We thank them again for being here.

In panel two, we will hear from private and academic witnesses who have firsthand experience working with businesses and who are familiar with the challenges they face. They include Mark Wright from the College of Tropical Agriculture and, what is it, Human Resources—sorry, CTAHR, Joe Burns from Hawaii Small Business Development Center, Randy Cabral from the Hawaii Farm Bill, and Murray Clay from the Ulupono Initiative, a nonprofit organization focused on locally produced food, renewable energy, and clean transportation.

Thank you all for being here. So, with that, we will start with our first witness, Dr. Wright.

STATEMENT OF MARK WRIGHT, PROFESSOR AND EXTENSION ENTOMOLOGIST, COLLEGE OF TROPICAL AGRICULTURE AND HUMAN RESOURCES, UNIVERSITY OF HAWAII AT MANOA, HONOLULU, HAWAII

Dr. WRIGHT. Good morning. Aloha. I am Mark Wright. I am speaking on behalf of Dr. Ania Wieczorek, our Interim Dean, who is just recovering from COVID. I am here to come and speak on

her behalf. I am with the College of Tropical Agriculture, University of Hawaii at Manoa, statewide responsibilities for research extension and education in agriculture and a broad range of topics.

With a funding college of the University of Hawaii, as you probably all know, we play a role in wide ranging transdisciplinary education, which provides extensive support in agriculture and natural resource management, including things like invasive species management and so on, which are fundamentally important, as we know, to the State.

During the past few years, our college underwent a strategic positioning effort, during the whole pandemic in fact, during which we collected data from more than 5,000 individuals regarding requirements of various stakeholders in the State.

And the result was a strategic document outlining four main initiatives. Among those was enhancing economic development for an adaptable and resilient community and well-trained workforce.

And among this economic development was one of the main initiatives. One of the big things that came up was the needs of small agricultural operations that require access to free resources for education and training to strengthen their well-being and their ability to contribute to economic development and the people of Hawaii.

We need to be proactive in making locally produced food widely available to our population and a vibrant tropical agriculture of value added products to global communities, particularly in the State vulnerable to natural and human disasters, as we have seen recently, that can certainly have significant negative impacts on our food and food security and economy.

I will give you a few examples of impacts that the College of Tropical Agriculture and Human Resources have and continue to have. We are particularly active in the area of biosecurity and food security, particularly the management of invasive species. Insects and disease pests caused 20 to 100 percent crop losses in many cases, as I mean, I am sure you have seen as you have been traveling around.

We have entomologists and plant pathologists to work on managing these problems, developing environmentally friendly options for managing these pests. Some examples of the recent development of integrated pest management for coffee berry borer, a severe pest of coffee, which has saved approximately $132 million for that industry in terms of pest management alone.

We work in other crops such as macadamia nuts, papaya, vegetable crops, the whole range. Turf and landscape pest management is another huge issue. You are probably aware of the issues we are having on Oahu and now Kauai with coconut rhinoceros beetle which decimates coconut palms. CTAHR is also involved in food safety training.

We have a program that has been able to train almost 560 farmers recently in complying with food safety requirements. We work on culturally important staple foods and specialty crops, things like taro, ulu, and then floriculture as well, of course. We have a sustainable organic Ag program that contributes to training people in organic agriculture statewide, as well as contributing to workforce development.

We have Hawaii-One-Ag Program, which focuses on students developing their education in terms of being able to work immediately in agriculture. Our GoFarm Program does a similar thing where we have immediate training for people who are interested in entering the agricultural sector.

Natural resource and environmental management is another substantial component of what we do with people working on natural environment, working on invasive species management, fire management, and many other issues related to environmental management. Our college research addresses family and consumer issues.

For example, healthy family development, the role of older people in society, providing environments that are healthy for young people, and developing a good economic sense and so forth.

So, in summary, we require lots and lots of resources to be able to contribute to continuing to do these things and be an economic driver in the State. And I will stop there. Thank you.

[The prepared statement of Dr. Ania Wieczorek follows:]

Testimony Presented Before the

United States Senate Committee on Small Business and Entrepreneurship
Field Hearing at *Haleolelo Lumi Pahiahia*
August 18, 2023

By

Ania Wieczorek, Interim Dean
College of Tropical Agriculture and Human Resources
University of Hawai'i at Mānoa

RELATING TO PROMOTING A RESILIENT ECONOMY FOR HAWAI'I FARM BUSINESSES

Chairman Cardin, Senator Hirono, and members of the Committee :

Thank you for the opportunity to provide testimony in support of ways to improve and expand federal programs that support Hawai'i small businesses in the agriculture sector.

As the founding College of the University of Hawai'i in 1907, the College of Tropical Agriculture and Human Resources (CTAHR) is central to the land-grant mission of the University of Hawai'i at Mānoa (UH Mānoa). CTAHR provides exceptional transdisciplinary education, research, and extension in tropical agriculture, natural resources, and human well-being to local and global communities. CTAHR is committed to an educated community, a healthy population, and a sustainable food system and environment that strengthens the well-being and economic development of the people of Hawai'i and beyond. The college is an integral part of UH Mānoa's Carnegie "RU/VH" designation and distinguishes itself in areas of resilient and thriving community health, vibrant tropical and Pacific island agriculture and food security, ecosystem health, and workforce and economic development. CTAHR's uniqueness also comes from the fact that we ae the only state in the union located in the tropics.

CTAHR initiated a strategic positioning effort in the middle of a pandemic (College of Tropical Agriculture and Human Resources University of Hawai'i at Mānoa Strategic Positioning and Visioning 2022-2027). Ten listening sessions were led by an external facilitator both on campus and across the state and resulted in the collection of 5,226 data points (2,395 faculty; 2049 public; and 782 staff). The result was a strategic document that outlined four main initiatives and enhancing economic development for an adaptable and resilient community and well-trained workforce and Economic Development was one of the main initiatives.

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Small agricultural operations need access to free resources for education and training to strengthen the well-being and economic development of the people of Hawai‘i. Hawai‘i needs to be proactive in making locally produced food widely available to our population and vibrant tropical agricultural value-added products to global communities. Hawai‘i is especially vulnerable to natural and human disasters that may have a negative impact on our own food security and economy.

CTAHR requests resources for small agricultural businesses to strengthen the midstream of its agricultural supply chain and five areas of focus.

Examples of CTAHR impacts and ongoing contributions are summarized below.

Biosecurity in food-crop pests and diseases,

Insect pests can cause 20-50%, with a further 10-20% yield loss from plant diseases in the Hawai‘i vegetable industry. Our entomology and plant pathology programs develop methods for reducing these losses that can exceed $40 million per year. Entomologists in the Department of Plant and Environmental Protection Sciences (PEPS) had been working on designing more effective pest control measures to cope with pesticide resistant diamondback moth population on brassica leafy greens ($3.5 mil farm gate value now suffering 20-100% yield loss). PEPS hosts the Western Plant Diagnostic Network that diagnoses under-studied pathogens of tropical crops, critical for the state interest to promote small business of specialty or culturally significant crops. PEPS also has a research team that works on protecting the Hawai‘i cattle ($48 million in 2021) from a new invasive pest, two-lined spittlebug, through developing management practices. The integrated pest management developed by PEPS faculty in collaboration with other organizations has resulted in a $132 million economic benefit to the Hawai‘i coffee industry. Similar benefits are expected with new efforts to manage coffee and macadamia but pests. PEPS also has a Turf and Landscape Pest Management team that serves the $515 mil landscape industries in the state. We also host the state IR-4 program to gain emergency registration of pesticides for minor crops such as fungicides to control coffee leaf rust which poses a major threat to Hawai‘i’s coffee industry. On the other extreme, tourism represents a quarter of Hawai‘i's economy, yielded nearly $17.8 billion in visitor spending, and $2 billion in tax revenue (2019). Imagine a tourism industry without coconut trees due to the threat from coconut rhinoceros beetles (CRB). PEPS faculty, in collaboration with HNFAS faculty, manage the largest agrosecurity response effort in Hawai‘i’s history, targeting the CRB by monitoring and immediately sanitizing CRB breeding sites, helping the state effectively inspect outgoing cargo, developing diverse management tools.

Food safety training

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Many farmers are challenged in complying with certain regulations such as food safety. Since 2017, the CTAHR Farm Food Safety program has trained 556 farmers and agricultural professionals statewide in the mandatory FSMA-Produce Safety Rule, aiding farmers in taking a step towards food safety compliance. They are also currently developing Good Agricultural Practice (GAP) audit training to assist farmers in successfully acquiring third party food safety audits which are being more commonly required by certain buyers. GAP certification for farmers provides opportunities for growth in revenue and product diversification such as value-add products that generate a higher price point and export markets.

Culturally important staple foods and specialty crops such as taro, ulu, floriculture

The CTAHR Indigenous Cropping Systems Laboratory has become a world leader in breadfruit agronomic research, strongly supporting the emergence of an entirely new industry here in Hawai'i by providing new knowledge, services, and technical assistance that support the entire value chain - from production, aggregation, processing, marketing, and consumption. This program has also played a supporting role in the development of the Food Hub Hui, a consortium of local food hubs that are impacting the local food economies through the aggregation of local products for local markets, allowing for the growth and development of local agricultural industries while providing a significantly higher share of the food dollar back to farmers compared to traditional food distribution companies.

The Sustainable and Organic Agriculture Program (SOAP) is a CTAHR-led multi-agency, trans-disciplinary collaboration that for the last 15 years has been committed to increasing awareness and adoption of sustainable and organic agriculture practices across the State of Hawai‘i. Educational programs are estimated to reach over 25,000 agricultural professionals and the public annually. Through statewide collaborations, we have worked to increase adoption and acreage of Hawai‘i’s organic fruit and vegetable operations. The most recent USDA statistics indicate these sectors in Hawai‘i are currently valued over $15 million dollars compared to $7.6 million in 2008. SOAP’s impact extends beyond organic growers and includes all Hawai‘i producers, including strong collaboration with conventional operations and the seed industry. For example, SOAP efforts to support turmeric growers with new varieties has directly contributed to turmeric becoming Hawai‘i’s second highest valued specialty crop, second only to banana with a market value of over $1.2 million in 2018. SOAP also collaborates closely with the UH office of Public Health, the John A Burns School of Medicine and local non-profits to deliver food security programs to Native Hawaiians and others in our community, using CTAHR Agricultural Experiment Stations as “Centers of Learning”. Recent results have shown these programs to positively impact determinants of health, suggesting that these community-based food programs are effective interventions to reduce diet related diseases estimated to cost Hawai‘i over $1.5 billion annually.

The CTAHR floriculture program has an annual economic impact of $754,505, including releases of new crop varieties.

Invasive species pose a risk to native and traditional cropping systems. For example, a new invasive insect pest, the ramie moth, attacks and causes severe damage on mamaki, a native tea crop. Our entomology program has ongoing work that contributes to reducing damage form this insect, not only in cultivated mamaki, but also wild mamaki and its relatives, several which are threatened species.

In the field of aquaponics, CTAHR's Department of Molecular Biosciences and Bioengineering (MBBE) is developing application of nanobubble technology aims to improve crop and fish yield while simultaneously treating aquaculture effluent. This work aligns with Hawai'i's goals for sustainable agriculture, reducing reliance on imported fertilizers, and enhancing food security. Our findings have demonstrated the potential to increase crop yield by 20-30%, strengthening the state's farming communities.

Work force development

The newly developed "Hawai'i-One-Ag 2023: Focusing on the Student Experience in Agricultural Education at the University of Hawai'i" promotes and redefines agriculture while focusing on improving the student experience at community colleges and facilitating their transferring process to a 4-year program. This grant also provides Native Hawaiian students access to educational opportunities at community colleges and universities within the UH System in agriculture-related degrees and to inform prospective students how agriculture offers valuable and rewarding career opportunities.

GoFarm Hawai'i (GFH) is an extramurally funded UH CTAHR extension program whose mission is to enhance Hawai'i's food security and economy by increasing the number of viable, sustainable commercial farmers and its supporting workforce. Launched in 2003 to provide business technical assistance for local producers, the program added workforce development training in 2013 and has since graduated over 530 individuals from its farmer training program statewide. Many graduates of the program start businesses and are often sought after to fill management roles at agricultural businesses statewide. Over the last three years, 59% of graduates reported starting a farm business and 20% reported working for others in the industry. Forty-seven graduates participated in the AgIncubator phase of the program, starting businesses directly on program-managed land. These new producers reported $930k worth of revenues during the period. According to the 2017 Census of Agriculture, 78% of Hawai'i's farms earn less than $25k per year. With the support of this CTAHR program, AgIncubator program participants have averaged $15,000 in Year 1 and $39,000 in Year 2 revenues.

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UH Mānoa is proud to be the administrator of the Hawai'i 4-H program. Who, for over a century, has served youth ages 5-18 with positive youth development programming that is helping turn their spark into Mastery. Youth participate in Agriculture, STEM, Healthy Living, and Civic Engagement project work. Youth sparks drive youth to achieve personal and professional achievement. Hawai'i 4-H serves 3,497 youth across all islands.

Based upon research conducted at CTAHR, a corporation was created to implement supercooling technology. Jun Innovations' Supercooling Technology changes the way people purchase, store, and enjoy their food., using electric and magnetic fields to prevent ice crystallization at subzero temperatures. One of the merits of using fish for the validation of this process is Hawai'i's centralized location in the Pacific, as well consumption preferences among the diverse local cultures. We see the Hawai'i fish industry as a first pilot to validate the process and increase awareness for our supercooling technology. Jun Innovations plans on extending beyond Hawai'i to include distribution channels to the US mainland, and later, the world with completion of 'proof of concept' and production of 'commercially viable unit'. The company has been able to create many job opportunities to hire local young engineers who were born and raised in the State.

Natural resource conservation and management

The CTAHR Department of Natural Resources and Environmental Management's (NREM) vision is to discover and extend innovative solutions for sustainable natural resource use and environmental management for the State as well as other Pacific islands for the benefit of residents, communities, farmers, and the tourism industry which is one of major drivers to the economic growth of the State. NREM faculty helps farmers enhance soil health, and develop and adopt climate-smart agriculture practices, and, in collaboration with UH Mānoa's Hawai'i Natural Energy Institute (HNEI), the economics of alternative energy sources to reduce the State's highest energy costs in the U.S. NREM continues to graduate the next-generation workforce who actively work in federal/state/county government agencies, NGOs/NPOs, or the private sector, and contribute to the State's prosperity. NREM's extension faculty engage residents, communities, farmers, and other stakeholders in the effective management of natural resources and ecosystems for the improvement of the State's natural capital.

Family and Consumer Sciences (FCS) programs in Hawai'i encompass a diverse range of initiatives, each yielding significant cost-benefit advantages for the state. For instance, the Kid Savings Program, an FCS-driven initiative aimed at promoting financial literacy among children, offers profound long-term benefits. Early financial education not only empowers young individuals with essential money management skills but also results in improved financial decision-making later in life. As participants

develop responsible spending habits and savings behaviors, they are better equipped to navigate adulthood's financial challenges, ultimately reducing the burden on social assistance programs, and contributing to overall economic stability. Grandparents raising grandchildren (GrandCares) is a unique concern in Hawai'i's cultural, multigenerational context, and FCS programs designed to support these families can yield substantial societal benefits. Providing assistance and resources to grandparents who have taken on the role of primary caregivers reduces the strain on the foster care system and related social services.

And during this incredibly challenging time with both the ongoing stresses that farm producers experience, and the Maui Fires, the Seeds of Wellbeing (SOW) program has been deploying trained hundreds of peer-coaches to support mental health wellbeing of our agricultural producers.

In summary, agriculture in Hawai'i needs adequate resources to contribute as an economic driver to the State's economic growth and stability. The recent wildfire disaster on Maui is an example of Hawai'i's vulnerability to climate change and natural disasters that have negative, potentially catastrophic, impacts on our economic security because of our geographic isolation. CTAHR is committed to be a quality higher education resource, providing applied, vocational, and academic training to solve complex and interrelated problems in food systems, food security, natural resources management, community resiliency, and human well-being in Hawai'i and the Pacific-Asia region.

Thank for the opportunity to provide testimony before the committee.

Senator HIRONO. Thank you. Joe Burns from the Hawaii Small Business Development Center.

STATEMENT OF JOSEPH BURNS, INTERIM STATE DIRECTOR, HAWAII SMALL BUSINESS DEVELOPMENT CENTER, HONOLULU, HAWAII

Mr. BURNS. Thank you, and aloha, Senator Hirono. Aloha, Congresswoman Tokuda. Thank you very much for the invitation today to testify here, and also thank you very much for what you are doing for all the residents of Maui who are suffering terribly.

So, the Hawaii SBDC is a program of the University of Hawaii at Hilo and is funded in part through a grant from the Small Business Administration. We opened in 1990 and have been hosted continuously since then by UH Hilo. We have five service centers statewide on the four major islands, and we are one of 63 accredited SBDC programs across the country created by Congress in 1980.

So, in the first two quarters of this year, we advised 945 unique clients, and materially assisted with just under $20 million in attributed capital acquisition. So, my comments today, I have three of them. First, I want to talk about Federal agencies which support Hawaii small agricultural businesses.

So, I have three. The first one is obviously the USDA. And we work closely with the USDA, especially through two of their flagship guaranteed loan programs—one is the Community Facilities Guaranteed Loan Program, and the other is the Business and Industry Loan Guarantee Program. So, our role is to provide advisory services in terms of writing the required feasibility studies.

And doing so, we contributed to the funding of agricultural and rural development projects for probably over the last 13 years since I have been here at least. And so, I want to mention three examples.

One is a coffee school with career and workforce development training on the cultivation, processing, roasting, and cupping of coffee. A cattle ranch refinance right here on the Big Island, lowering their financing expenses and supporting their expansion into the agritourism sector.

And the third one is a rural, urgent care medical clinic on Kauai, which is not really an agricultural project per se, but the clinic helps to attract and retain rural residents such as farm owners, farm workers, by providing urgent medical care in the rural community that surrounds it. So that is USDA. Second one is the SBA, Small Business Administration.

So, the Hawaii SBDC, as a resource partner of the SBA, provides export business advisory services to Hawaii businesses involved in the SBA State Trade Expansion Program, which Mr. Syed mentioned, the STEP Program, and that is administered through DBEDT at the State level in Hawaii. And we call it the "HiSTEP" Program.

So, we cover areas such as export planning, international market research, export financing, including the SBA's excellent guaranteed export finance programs. And the reason I mention that is because these services and export loans are very, very helpful for local, value added Ag product creators.

Senator Hirono talked about commodities. We don't produce commodities, but we do produce specialty products. So, these would fit in that category. And then some examples of HiSTEP assistance that we provided to value added Ag businesses include a vertically integrated cocoa grower and craft chocolate manufacturer and exporter, a distiller of heirloom Hawaiian sugar cane varietals producing high quality rum, and a manufacturer of reusable cloth food reps using 100 percent Hawaiian beeswax.

And then the third program we probably don't think about in terms of agriculture, but that is the Treasury Department's Small Business Credit Initiative, SBCI, which provides funding support for both equity and debt access to capital programs.

And there is also a technical assistance element of the program under which the Hawaii SBDC will be receiving funding to provide businesses, financial literacy and management improvement services to socially and economically disadvantaged entrepreneurs and very small businesses outside of Oahu.

So potential recipients of this technical assistance would tend to be farm and rural businesses just because of their location. My second comment relates to how to improve Federal programs that support agriculture and rural communities. One specific idea refers to the USDA Community Facilities Guaranteed Loan Program, which I mentioned.

There is a requirement that under certain circumstances applicants must obtain the examination opinion of a CPA attesting to the validity of the assumptions in the financial feasibility report. In our experience, it has been very difficult to find those local CPAs who are willing and capable to do that examination opinion when it is required.

So, then our applicants have to turn to the mainland CPA firms, which in our experience are very expensive and sometimes not willing to do it because they don't know Hawaii very well. And that creates a barrier to completing a potentially valuable project.

So, I would just like to ask if there is not such a mechanism already, I wonder if the USDA would consider making available specific funding to facilitate that CPA examination opinion when it is required.

And my last comment is, I would very much like to thank Senator Hirono for co-sponsoring the SBDC Improvement Act of 2023, which reauthorizes the national SBDC Program, enhances its effectiveness.

There are three provisions of the bill that I would like to highlight before I close. One is Section 2, which adds depth and detail to the existing mandated reporting to Congress with respect to the SBDC's annual entrepreneurial development activities. Section 3 allows SBDC to use a limited amount of SBA cooperative grant funding for marketing purposes. And Section 7 strengthens the protection of client confidentiality.

So, in closing, may I say that we are grateful for the committee's continuing support of Federal programs which help to sustain agriculture and rural businesses in Hawaii for the accomplishment of the shared goals of reducing food insecurity, removing barriers to pursuing agriculture, and providing the capital and technical as-

sistance necessary to foster a robust agricultural community. Thank you.

[The prepared statement of Mr. Burns follows:]

"Promoting a Resilient Economy for Hawai'i Farm Businesses", August 18, 2023, Hilo, HI

Testimony of Joseph Burns, Interim State Director of the Hawai'i Small Business Development Center (Hawai'i SBDC)

Thank you, Senator Hirono and the members of the Senate Committee on Small Business and Entrepreneurship for your invitation to submit testimony on this crucial topic.

With respect to federal agencies which support Hawai'i small agricultural businesses, may I please mention three: the United States Department of Agriculture (USDA), the U.S. Small Business Administration (SBA), and the U.S. Department of the Treasury.

1) The Hawai'i SBDC continues to work in partnership with the USDA through 2 of their flagship guaranteed loan programs: the Community Facilities Guaranteed Loan program, and the Business and Industry Loan Guarantees. By providing business advisory services and writing required feasibility studies, we have contributed to the funding of agricultural and rural development projects at least over the last 13 years. Examples include:

- A coffee school with career and workforce development training on the cultivation, processing, roasting, and cupping of coffee
- A rural urgent care medical clinic on Kaua'i: while not an agricultural project per se, this clinic helps to attract and sustain farm owners and workers by providing urgent medical care in the rural community surrounding it
- A cattle ranch refinance on the Big Island lowering their financing expenses and supporting their expansion into the agritourism sector

2) With respect to the SBA, the Hawai'i SBDC partners with the state Department of Business Economic Development and Tourism (DBEDT) by providing export business advisory services to Hawai'i businesses involved in the SBA State Trade Expansion Program (STEP), which is administered as a cooperative grant to states. Branded in Hawai'i as the as HISTEP program, we cover areas such as export planning, international market research, and export financing, including the SBA's excellent guaranteed export finance loans. These programs are particularly helpful for local value-added agricultural product creators.

Examples of HISTEP export assistance provided by the HISBDC to to value-added agricultural busineses include:

- A vertically integrated cacao grower and craft chocolate manufacturer and exporter
- A distiller of heirloom Hawaiian sugar cane varietals producing high-quality rum
- A manufacturer of reusable cloth food wraps using 100% Hawaiian beeswax

SBA is allowing SBDCs to select a regional goal for this next program year that will improve economic conditions by addressing priorities in our locality. The Hawai'i SBDC has selected the agriculture sector as our regional goal focus, in order to contribute to sustainable agriculture and food security in Hawai'i.

3) A program we may not immediately associate with agriculture is the U.S. Department of the Treasury's State Small Business Credit Initiative (SSBCI). Through investments with states, the SSBCI program provides funding support for both equity and debt access to capital programs. In Hawai'i, we have established the HI-CAP capital acquisition programs funded by the SSBCI

program and administered by DBEDT and the Hawai'i Technology Development Corp. in cooperation with local banks.

There is also a technical assistance element of the program under which the Hawai'i SBDC will receive funding to provide business financial literacy and management improvement services to socially and economically disadvantaged entrepreneurs and very small businesses outside of O'ahu. Potential participants for technical assistance in these areas tend to be farm and rural businesses. We plan to house this effort in our Lead Center office in Hilo, and are speaking with potential partners, such as the University of Hawai'i at Hilo, and a local ag-tech community program among others.

As for how to improve federal programs that support agriculture and rural communities, one specific idea refers to the USDA Community Facilities Guaranteed Loan program mentioned above. There is a requirement that under certain circumstances, applicants must obtain the examination opinion of a CPA attesting to the validity of the assumptions in the Financial Feasibility Report. In our experience, it has been very difficult to find local CPAs who are willing and capable to render the examination opinion when it is required. Applicants must then turn to mainland CPA firms which in our experience are prohibitively expensive, thus creating a barrier to completing a potentially valuable project. If there is not such a mechanism already, would the USDA consider making available funding to facilitate the CPA examination opinion?

Lastly, the national SBDC program has nearly 1,000 local centers providing no-cost business advisory services and low-cost training to both new and existing businesses. Small business owners and aspiring entrepreneurs can go to their local SBDC for individualized, face-to-face business advising and access training on a wide variety of timely and relevant topics.

As small businesses owners navigate an ever-changing and challenging environment, SBDCs continue to support and elevate our clients. Small businesses who partner with their local SBDC receive solutions and results that help their businesses thrive on main streets across the U.S. SBDCs are the leaders in job creation and attributed measurable economic impact. The latest annual national results show $7.7 billion in client capital acquisition and the creation of 85,094 new jobs. Each federal dollar invested produced $1.66 in federal revenue and $3.64 in state revenue.
The Hawai'i SBDC, accredited since 1990, and hosted continuously since then by the University of Hawai'i at Hilo, manages 5 service centers statewide on the four major Hawaiian Islands. In the first 2 quarters of 2023, the Hawai'i SBDC advised 941 unique clients, and materially assisted with $19,944,192 in attributed capital acquisition. Our client satisfaction rate during this period was 96%.

We thank Senator Hirono for cosponsoring the SBDC Improvement Act of 2023, which reauthorizes the national SBDC program, and enhances its effectiveness. We fully support this bill (S. 2185, 118th Congress). Some important provisions of this bill are:

- Section 2 adds depth and detail to the existing mandated report to Congress with respect to the SBDC's annual entrepreneurial development activities
- Section 3 allows SBDCs to use a limited amount of SBA cooperative grant funding for marketing purposes
- Section 7 strengthens the protection of client confidentiality

We are grateful for the Committee's continuing support for federal programs which help to sustain agriculture and rural businesses in Hawai'i for the accomplishment of the shared goals

of reducing food insecurity, removing barriers to pursuing agriculture, and providing the capital and technical assistance needed to foster a robust agricultural economy.

Senator HIRONO. Thank you. I just want to note that I think there is an echoing in here. It is a little bit hard for us to hear you all but speak into the mic.

And apparently our mic is picking you up, but if you can, you speak very clearly into the mic. Randy Cabral, Hawaii Farm Bureau. You have vast years of experience in being an advocate for our farmers, so——

Mr. CABRAL. Unfortunately, five minutes, not going to be able to cover it.

Senator HIRONO. What was that?

Mr. CABRAL. Five minutes is not going to be able to cover a whole lot of stuff. [Laughter.]

Senator HIRONO. You have a lot to impart. Thank you. Please proceed.

STATEMENT OF RANDY CABRAL, PRESIDENT, HAWAII FARM BUREAU, VOLCANO, HAWAII

Mr. CABRAL. Aloha, Senator Hirono, Congresswoman Tokuda. Thank you for the opportunity to provide testimony. My name is Randy Cabral. I am President of the Hawaii Farm Bureau. Organized in 1948, the Hawaii Farm Bureau is comprised of 1,800 farm families members statewide, and we serve as Hawaii's voice of agriculture. The Farm Bureau is the biggest general agricultural organization in Hawaii.

We represent our members' interest in public policy at a county, State, and national levels. We operate as a trade group for agriculture. The Hawaii Farm Bureau believes that if we want to focus on improving Hawaii's agriculture industry, we need to assist our farmers and ranchers by addressing the many challenges that they face, such as land use, access to affordable water, labor, transportation, invasive species, disaster preparedness, crop insurance, food safety, agricultural theft and vandalism, research and development, pesticide regulations, access to capital and marketing, just to name a few.

I would like to take the time to discuss a few priority issues that we would like to see more Federal support for. Number one is invasive species have become one of the most challenging problems impacting Hawaii. Many invasive species are damaging Hawaii's environment and State's economy.

Agriculture has a vested interest in this matter and is one of the major casualties when invasive species are introduced. Every year, numerous new pests are introduced into the State, such as the coqui frog, coffee berry borer, axes deer, macadamia felted coccid, little fire ant, coconut rhinoceros beetle, small hive beetle, varroa mite, two-lined spittlebug, just to name a few. We must do a better job of protecting Hawaii's agriculture industry's environment and the general public by preventing the introduction and establishment of harmful pests. Our port of entry biosecurity program is essential to prevent invasive species from entering the State. USDA inspect, check in, and carry-on luggage for outbound passengers from Hawaii.

But there is no USDA inspection of luggage pre-entering into the State. The only barrier is the State Hawaii plant and animal declaration form that passengers fill out on the plane before arrival.

It is essential that more effective measures be put in place and that Hawaii needs to have USDA help.

Second item is farm labor. Shortage of agricultural labor has been an ongoing problem for years but has gotten worse. The shortage of willing and able workers, affordable housing for farm workers, and competition from alternate employment are several of the pressing farm related issues that need to be addressed.

The H–2A program was created to fund—provide farmers with legal workforce to fill jobs on a seasonal basis when there is insufficient number of willing and available U.S. workers. An H–2A employer's labor costs frequently approach 40 percent or more of their total production cost. And for many of these producers, H–2A labor costs typically constitute 80 to 90 percent of their total annual payroll.

Many of Hawaii small producers simply cannot afford to participate in H–2A program. There is a need to be an alternative H–2A State programs that would work for the small producers. Transportation. Hawaii's position as the world's most isolated location, as well as being in a series of islands, presents major challenges to the State's agriculture industry.

One of the barriers to expanding agriculture in Hawaii is the cost to transportation. Hawaii's farmers and ranchers rely heavily on air and ocean transportation to bring agricultural inputs such as equipment, feed, fuel, fertilizer, agriculture machinery for their production.

Inter-island transportation has been a major issue with neighbor island farmers and ranchers. The majority of agricultural lands are on the neighbor island, yet the population center is on Oahu.

Neighbor Island farmers and ranchers are disadvantaged when competing with fellow farmers and ranchers on Oahu due to the additional transportation cost of bringing in supplies and sending products out.

Each increase in interisland shipping rates means increased cost to these farmers and ranchers, cost that usually cannot be passed on to the vendor. USDA FSA's Reimbursement Transportation Costs Payment Program provides some relief for the high cost of transportation but is currently nowhere near enough to support enough relief.

We need the cap increase to recognize the transportation costs in Hawaii are expensive and necessary. While costs rise, the reimbursement program is capped at $8,000 per year. Renters spend hundreds of thousand dollars in ocean freight per year. For example, one rancher spent almost a quarter million dollars on transportation in 2022, but based on their reimbursement program, they got only $8,000, 3.6 percent of the cost.

I guess with that, I will stop—thank you.

[The prepared statement of Mr. Cabral follows:]



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My name is Randy Cabral and I'm the President of the Hawaiʻi Farm Bureau (HFB). Organized in 1948, the Hawaiʻi Farm Bureau is comprised of 1,800 farm family members statewide, and we serve as Hawaiʻi's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Farm Bureau is the largest general agricultural organization in Hawaiʻi. We represent our member's interest in public policy at the county, state, and national levels. We operate as a trade group for agriculture as the Chamber of Commerce does for businesses.

The Hawaiʻi Farm Bureau is very active in state government. We work closely with the Hawaiʻi Department of Agriculture and other state agencies, the University of Hawaiʻi's College of Tropical Agriculture and Human Resources, the College of Agriculture and Community Colleges, and with state Legislators to help address issues that affect our members. Issues such as land use, water, labor, transportation, invasive species, food safety, agriculture theft and vandalism, research and development, pesticide regulations, transportation, crop insurance, marketing, and taxes, just to name a few.

Agriculture is a vital component of Hawaiʻi's economy. It provides Hawaiʻi with a stage for tourism, export products for an otherwise service-oriented economy, a diversity of employment opportunities and lifestyles for its residents, and stewardship of its lands and water. Agriculture also provides environmental benefits, such as enviable air and water quality and recharge of our underground aquifers, and social benefits, such as the preservation of our rural communities.

However, Hawaiʻi's agricultural industry has undergone a great change. Hawaiʻi's agriculture industry was formerly dominated by sugarcane and pineapple. Hawaiʻi's last sugar plantation shut down in 2016 and pineapple production has been reduced to a shadow of what it was in 1980. In 1980, pineapple was grown on Maui, Oahu, Lanai, and Molokai with 44,858 acres in production. Currently, we only have a small number of fresh pineapple growers on Maui and Oahu covering 4,508 acres.

Hawaiʻi's agricultural industry has transitioned to a more diversified agricultural model. With much of the food consumed in Hawaiʻi produced elsewhere, there is growing concern about the state's high dependency upon outside sources. Hawaiʻi is located approximately 2,500 miles from the continental United States. As the most geographically isolated state in the country, Hawaiʻi imports approximately eighty-five to ninety percent of its food. While interest in local food production is growing, Hawaiʻi farmers face keen competition from imports abroad. Today the vast majority of the food consumed in the Islands is supplied by the U.S. Mainland, which is Hawaiʻi's chief source of competition.

Currently, Hawaiʻi has an inventory of fresh produce that would supply consumers for no more than ten days. Ninety percent of the beef, sixty-seven percent of the fresh vegetables, sixty-five percent of the fresh fruits, and eighty percent of all milk purchased in the State are imported.

There are 7,328 farms in Hawaiʻi covering 1.1 million acres generating roughly $563 million. Sixty-two percent of Hawaiʻi's farms (4,525) are defined by the USDA as non-commercial meaning their gross cash farm income (GCFI) is below $10,000. Twenty-five percent of Hawaiʻi's farms (1,823) have an income of $1,000 or less and account for 0.1% of Hawaiʻi's agriculture revenue. Only 1% of Hawaiʻi's farms are considered Very Large ($1M and up) and they represent 63% of the total Hawaiʻi's agriculture revenue. A 2012 University of Hawaiʻi Study revealed that on average, Hawaiʻi farms suffer a net loss of $20 per acre. Farmers have razor-thin margins. The average age of Hawaiʻi's farmers is 60.1 years old.

When we talk about the future of farming in Hawaiʻi, we need to talk about more than just fruits and vegetables. Milk and other dairy products, eggs and poultry, beef, pork, aquaculture, sheep, goats, starch, grains, nuts, taro, nursery and cut flowers, seed corn, coffee, and macadamia nuts are all important crops that deserve and require support. We also need to increase value–added production such as jams, jellies, juices, and other manufactured products using local agricultural ingredients.

The Hawaiʻi Farm Bureau envisions Hawaiʻi's agricultural future to be one in which the priorities for both the private and public sectors include significant amounts of land in profitable agricultural production, maximum opportunities for export and import substitution, increased development of new crops and products, and enhanced marketing of both new and existing crops and products. Landowners, government, and the general population will be aware of the value and significance of agriculture in Hawaiʻi.

We envision agriculture in the future being increasingly diversified, intensive, and technologically sophisticated in the recognition of ever-increasing competition and expansion of regulations intended to protect and preserve our natural environment.

We envision a dynamic private-public partnership in agricultural development. Under strong leadership, the public agencies will be supportive of agriculture with a focus on research, information dissemination, market development, and other support services. Production agriculture will be viewed as an integral part of Hawaiʻi's environmental stewardship. Federal, state, and county policies and regulations affecting agriculture will be assessed and streamlined, eliminated, or redefined within the context of helping agricultural businesses without compromising public or environmental safety and health. In response to the public sector's recognition of agriculture's role, agriculture will organize itself into collaborative organizations to improve its competitiveness.

MAJOR ISSUES AFFECTING HAWAIʻI'S AGRICULTURE

The Hawaiʻi Farm Bureau believes that if we want to focus on improving Hawaiʻi's agricultural industry, we need to assist our farmers and ranchers by addressing the many challenges that they face:

Invasive Species

Invasive species have become one of the most challenging problems impacting Hawaiʻi. Many invasive species are damaging Hawaiʻi's environment and the state's economy. Agriculture has a vested interest in this matter. Agriculture is one of the major casualties when invasive species are introduced. Every year, numerous new pests are introduced into the State, such as the coqui frog, coffee berry borer, axis deer, macadamia felted coccid, little fire ant, coconut rhinoceros beetle, small hive beetle, varroa mite, two-lined spittlebug, to name a few.

Global travel and trade make alien pest introductions a threat to local agriculture. Difficulties in implementing abatement measures point to the need to improve mitigation measures. We must do a better job protecting Hawaiʻi's agricultural industries, environment, and the general public by preventing the introduction and establishment of harmful pests.

Our ports-of-entry biosecurity program is essential to prevent invasive species from entering the state. The State of Hawaiʻi Plant and Animal Declaration Form helps prevent new invasive species from entering Hawaiʻi when completed by passengers and flight crews arriving in Hawaiʻi, but we need broader support from the Federal Government. USDA inspects check-in and carry-on luggage for outbound passengers from Hawaiʻi, but the State is responsible for inspections for passengers arriving in Hawaiʻi.

Farm Labor

The average age of a farmer in Hawaiʻi is approximately 60.1 years old. For agriculture to be sustainable, and to produce more local crops we must cultivate the next generation of farmers and ranchers. Agricultural enterprises continuously need an adequate supply of a properly trained labor force. Hawaiʻi's agricultural industry needs to be an entrepreneurial and competitive industry with a highly-skilled, innovative workforce. As the industry grows, private-public partnerships need to identify methods to aggressively start and/or nurture the development of successful agricultural and agriculture-related enterprises. Practical training, particularly in business and financial management, is critical for many independent farmers who may lack formal education in these subjects. The shortage of willing and able workers, affordable housing for farm workers, and competition from alternative employment are several of the pressing farm-labor related issues that need to be addressed.

Congress created the H-2A program in 1986 to provide farmers with a legal workforce to fill jobs on a seasonal basis when there is an insufficient number of willing and available U.S. workers. Many farmers with labor-intensive crops rely on the H-2A program due to the historical shortage of U.S. farmworkers. An H-2A employer's labor costs frequently approach 40% or more of their total production costs, and for many of these producers, H-2A labor costs typically constitute 80 to 90% of their total annual payroll.

Hawaiʻi agribusinesses hired 268 guest workers on H-2A visas at the end of September 30, 2022, 27% higher compared to the same period in the previous year. The gross wage rate at the high-end range paid to guest workers was $2.99 an hour lower than that for all hired farm

workers. The distribution for H-2A workers employed locally by agricultural classification was as follows: coffee (80), apiculture (21), livestock (11), general farm workers (155), and administrative support (1). Many of Hawai'i's small producers simply cannot afford to participate in the H-2A program.

As the demand for agricultural labor in Hawai'i continues to increase, while the availability of labor decreases and costs for labor increases, farmers and ranchers continue to look for alternative means to operate their farms through technology, like small equipment tractors. A limited number of weed management solutions and the increase in labor costs have made weed management a major challenge for many small farmers in Hawai'i. Many small farmers also require smaller harvesting and field prep equipment that is not readily available in Hawai'i. These growers include vegetable crops, wetland crops, and livestock forage crops. There is a need to identify high-technology small equipment and evaluate its applicability for Hawai'i's diverse agriculture systems.

Countries such as Japan have small equipment that is suitable for Hawai'i's small farmers, however, the engines that are attached to small equipment from foreign countries like Japan are not in compliance with EPA standard regulations. Hawai'i agriculture needs to identify desired small equipment as well as find solutions that would allow Hawai'i farmers to import foreign equipment that complies with EPA standards.

Transportation

Hawai'i's position as the world's most isolated location, as well as its being a series of islands, presents a major challenge to the state's agriculture industry. One of the barriers to expanding agriculture in Hawai'i is the cost of transportation. Hawai'i is the only state that is 2,500 miles away from the nearest major port and the only state that is made up of islands. Because of this, Hawai'i's farmers and ranchers, rely heavily on air and ocean transportation to bring in agricultural inputs (supplies, equipment, feed, fuel, fertilizer, agricultural machinery, etc) for their production.

Interisland transportation has been a major issue with neighbor island farmers and ranchers. The majority of agricultural lands are in the neighbor islands yet the population center is on Oahu. Neighbor island farmers and ranchers are disadvantaged when competing with fellow farmers and ranchers on Oahu due to the additional transportation costs of bringing in supplies and sending products out. Each increase in interisland shipping rates means increased costs to these farmers and ranchers, costs that usually cannot be passed on to the vendor.

Both ocean and ground transportation is a necessary step for beef and produce to make it to our plates. Exporting Hawai'i's goods allows us to diversify operations to hedge against disasters or market disruptions. This allows Hawai'i's agricultural producers to find success both by providing food to the local community as well as to export markets. While costs rise, it remains important for Hawai'i to continue to produce calves to send to the mainland as it provides a diversified option for ranchers to manage for drought, lack of feed, or natural disasters that may negatively affect keeping calves here to grow out. The opportunity to ship calves to the mainland keeps ranches in business so that when the conditions are ideal for grass-fed cattle, ranchers are still in operation and can shift to keep more cattle here in Hawai'i.

USDA FSA's Reimbursement Transportation Cost Payment (RTCP) Program provides some relief for the high cost of transportation for Hawai'i's farmers and ranchers, but it is currently nowhere near enough support to provide enough relief to farmers and ranchers. We need the cap increased to recognize that transportation costs in Hawai'i are expensive and necessary.

While costs rise, the RTCP program caps reimbursements at $8,000 per year. Ranches spend several hundred thousand dollars on ocean freight per year. For example, one ranch spent over $220,000 on transportation in 2022. The RTCP program reimburses 25% which is based on COLA. The use of COLA does not appropriately address the need, as the shipping burden for remote States and Territories is much more than 25% if you consider the average cost per mile we pay versus the average cost per mile to ship on the Mainland by truck or train. In any case, the 25% on that example of the $220,000 spent by that one Ranch would be $55,000, except the cap only allows the rancher to actually receive just $8,000, or 3.6% of costs. In another example, a ranch spent over $680,000 on transportation. A reimbursement of 25% should be $170,000, but they actually receive $8,000. This is a reimbursement of less than 1.2%

Crop Insurance and Disaster Relief

Hawai'i farmers and ranchers have and will continually have their operations impacted by natural disasters, global epidemics disease, pests, diseases, high winds, thunderstorms, hurricanes, fires, floods, earthquakes, lava flow, vog or other volcanic activity, droughts, and tidal waves. Supply chain issues and other shipping disruptions are also challenging for agricultural producers. These unexpected disasters can result in devasting economic damage and emergency financial assistance is critical to help our farmers and ranchers recover from production and physical losses.

Many of Hawai'i's diversified agriculture producers do not participate in crop insurance policies offered by USDA Risk Management Agency. Small producers don't have the educational exposure or the opportunity to review and analyze the cost and benefit details of the USDA program, and more local farmers, whether on a large or small scale, perhaps could avail themselves of a potentially useful risk management tool to protect their crop revenue streams.

Large farms understand and buy crop insurance, however, many small farms don't. They have risks. Federal crop insurance is well subsidized but eligibility is often a challenge facing local farmers. Crop policyholders must keep meticulous production and revenue records of their agricultural enterprises which is difficult for some small producers.

Land

Large tracts of land fallowed by plantation closures on all islands represented a tremendous opportunity to facilitate the growth of diversified agriculture. These lands are suitable for most soil-dependent agricultural uses. Constraints to the growth of diversified agriculture are primarily the availability of arable lands in appropriate lot sizes with the accompanying infrastructure needed for a successful enterprise.

HFB recognizes recognize that in the land category system used today, agriculture was originally the catchall land classification and that some lands included within the agricultural district were not necessarily considered optimal for agriculture.

However, agriculture has significantly evolved. Soil classification is no longer the determinant of land good for agriculture. Greenhouses, hydroponics, aquaculture, and aquaponics are just a few of the many types of agriculture that can occur on *all* classes of land (A, B, C, D, E). Some of the best floriculture and hydroponic operations in Hawai'i are on C, D, and E lands. The total environment, including rainfall amount and timing, day and night-time temperatures, wind, and humidity each contributes to whether a particular region is suitable for a specific crop. In many cases, the soil type and even the existing terrain are not determinative of whether farming can exist and thrive.

Hawai'i Farm Bureau has serious concerns about the pressure to allow non-agriculture uses on agricultural lands; allowing residential developments to be interspersed with farming operations often causes problems that can result in the failure of farms. This cannot be allowed. Because of the pandemic, everyone better understands now the importance of agriculture in our isolated and vulnerable state. We must protect agricultural lands from well-known threats and avoid simplistic solutions to Hawai'i's housing problems.

The urgency to address Hawai'i's need for affordable housing, renewable energy, and new landfills should not be allowed to eliminate Hawai'i's use of productive agricultural land.

Water

Land cannot support agriculture without adequate, economical water resources. Plantation closures not only made available large tracts of agricultural land but also left behind extensive irrigation systems such as the Waiahole Ditch, Oahu; the Lower Hamakua Ditch, Big Island; the East and West Kauai Ditch systems, Kauai; and the Honokohau Ditch on Maui. Unfortunately, the closures have also left the water collection and distribution infrastructure decaying and falling into disrepair.

In addition, recent regulatory and court decisions, e.g., those that support leaving water resources in their natural state rather than developing them for agricultural use, are threatening these agricultural water sources and systems.

There is a continuous need for an efficient and equitable policy for agricultural water. The profitability of existing enterprises as well as future expansion and success of the industry rely on the development of adequate sources of water suitable for irrigation and the allocation of that water at reasonable rates. Water development programs within the state must be planned with due consideration for actual and potential agricultural development. Similarly, water regulations in the state should support existing and potential agricultural development. There should be a balance between environmental interests and economic benefits.

Incentives are needed to help develop new sources and distribution systems and to maintain the existing systems. Water development has high capital costs and risks. Joint private-public development of water sources to serve agricultural production on adjacent and/or contiguous state and privately owned lands suited for agriculture should be encouraged.

While dam and reservoir safety rules represent an important public safety initiative, the rules codified in HRS chapter 179D are having an adverse effect by reducing water storage capacity across the state. At a time when changing weather patterns have demonstrated alternating periods of drought punctuated by significant storm events, coupled with the noble goal of achieving food security for our island state, water storage is more critical than ever. The new rules will discourage new dam and reservoir construction, and in many cases cause dam and reservoir owners to minimize the capacity or decommission existing storage capability.

Many of the reservoirs – built in an era of plantation agriculture—no longer generate enough revenue to be economically sustainable. But they are needed in ways few people have yet imagined. The issue of how to pay for the upgrading and maintenance of this critical infrastructure is now gaining more attention as the state's budget comes into focus.

Dams and reservoirs are the keys not just to a future sustainable agricultural system in Hawai'i, but to the entire water and environmental health of the State. In addition to the conventional benefits of storing and delivering reliable water for agriculture in dry times, wildlife habitats, flood control during large storms, erosion control, and the reduction of sediment loading on our nearshore ocean reefs, reservoirs also ensure a supply of potable drinking water (after treatment) and provide water to help battle wildfires.

Reservoirs also help recharge our groundwater aquifers by capturing stormwater (for later release) that would otherwise rush to the ocean. There is growing evidence is that there will be a pattern of fewer, but larger storms separated by longer intervals of drought. If the large rainfall flows are not captured, overall groundwater recharge may be significantly reduced. Groundwater is our primary source of drinking water and demand is relentlessly rising. We already face declining groundwater recharge every time we place hard impermeable surfaces (e.g. concrete) over previously open ground (agriculture).

Recent Dam and Reservoir Safety rules will levy an additional burden on reservoir owners and Hawai'i farmers. Fuel, labor, equipment, transportation, and other expenses are already higher in Hawai'i than on the mainland, placing locally-grown products at a competitive disadvantage. Inevitably, increased costs will be passed on to consumers and are counterproductive to efforts to grow more food in Hawai'i. Some landowners will simply decommission their dams, abandon their reservoir systems and decide what to do with their now-fallow lands when agriculture is no longer viable.

Research and Development

The University of Hawai'i, College of Tropical Agriculture and Human Resources, the Hawai'i Agriculture Research Center, the Hawai'i State Department of Agriculture, and the U.S. Department of Agriculture Pacific Basin Agricultural Research Center must work collaboratively to expand their research efforts for agriculture with an emphasis on locally produced products. Priorities lie in the improvement of cultural practices for currently grown products, development of new crops and value-added products, improvements in processing procedures, and development of new postharvest systems that improve the transport and handling of products. New technologies such as biotechnology should be aggressively pursued to provide a competitive edge to Hawai'i's agriculture in the marketplace. Public education is an important element in the development of any new technology to alleviate misperceptions and fears.

Access to Capital

Farmers and ranchers need capital to succeed. Capital for new farmers to begin. Capital for farmers to purchase more land and new equipment, hire more labor and expand their markets so they can grow their businesses. Capital to invest in new Ag Technology to increase their production and efficiency. However, access to capital remains a barrier for many farmers and ranchers, especially small producers, in the islands. The scope of financial products available to farmers and ranchers in Hawai'i is diverse, from loans and grants to reimbursements and crop insurance programs available through the USDA and other federal agencies. However the demand for affordable capital across the sector far outweighs the supply, and oftentimes eligibility requirements significantly narrows the number of capital products truly accessible to producers.

Many smaller farmers, ranchers, and other agricultural operators lack the necessary business and management expertise to seek out and apply for the various sources of funding available to them, including funding provided by the USDA and other sources to assist with critical needs such as infrastructure, technology, equipment, processing, training, market access and development, and much more.

Food Safety

The Food Safety Modernization Act (FSMA) transformed the nation's food safety system by shifting the focus from responding to foodborne illness to preventing it. Foodborne illnesses can be serious, and we should seek ways to reduce risk. However, many of Hawai'i's farmers are not FSMA compliant because of the cost and criteria for food safety certification The many criteria associated with FSMA to be compliant should not impede safe food. Hawai'i cannot afford to further lose farmers as we strive to increase local food production.

Accessing larger commercial and institutional markets that generally require food safety certification is a challenge for many of Hawai'i's farms. The majority of Hawai'i's commercial and institutional buyers will not purchase produce from farms that cannot provide food safety and traceability documentation required by the Food Safety Modernization Act (FSMA). These buyers will import products that cannot be sourced locally to meet their customer's demands, increasing the State's dependency on imported food. Food safety certification of Hawai'i farms is a critical first step toward FSMA compliance and may lead to increased market access and opportunities to increase production for these farmers. We need funding to provide training and support to increase the number of food safety-certified farmers.

Marketing and Competitiveness

Hawai'i's small size and isolated location provide challenges to the farmer in the global marketplace. Local markets are finite. Exports are a necessity. At one time, Hawai'i enjoyed the lion's share of the market for pineapples, macadamia nuts, anthuriums, and other commodities. Foreign regions with similar climatic conditions began producing the same commodities. Considerable effort and funds were expended to develop these crops and their markets. Unfortunately, much of the technological information has been made available to our competitors, creating formidable foreign competition.

All of Hawai'i's agricultural exports must be competitive in the world market. Existing costs of production require that Hawai'i rely on uniqueness, quality, service, and image to be competitive. Exported Hawai'ian products must not only be unique but should also be of high

value. The industry must be entrepreneurial, responsive to change, and able to function under adverse conditions. Many challenges such as trade policies are beyond the farmer's control; however, the industry needs to find ways to mitigate these barriers.

We must protect Hawaiʻi's agricultural products from deceptive marketing and misleading labeling. important agricultural crop from deceptive or misleading labels. Hawaiʻi Geographic Origins labeling helps protect the quality and authenticity of Hawaiʻi's important agricultural crops such as macadamia nut, coffee, pineapple, hemp, and mamaki. We must ensure that Hawaiʻi-grown products are accurately represented in the marketplace.

Taxation and Fees

A basic tenet for government involvement should be to provide policies and incentives that support and encourage thriving business enterprises. There should be a taxation package that provides an optimal inducement for entrepreneurs to invest in the transformation of Hawaiʻi's agricultural industry. This has the potential to provide key incentives to induce the private sector, but a favorable taxation package should not be the only incentive to encourage future agriculture development in Hawaiʻi.

As regulatory burdens on agriculture increase, so do permitting fees as government agencies strive to be self-sufficient in their costs to do business. Regulatory compliance costs and permitting fees increase the cost of production and can significantly impact the productivity of new enterprises.

Environment

Changes in societal concerns about the environment, healthier diet, and food safety require agriculture to transform its attitudes and practices regarding production, processing, and marketing. Stewardship practices must be implemented or enhanced to protect the soil, water, air quality, and even wildlife habitat. Public expectations have prompted farmers to expend more resources to rethink their crop protection, waste management, and soil conservation practices. Consumer preferences for diets that focus on health and wellness present opportunities for market channels and production practices that meet this demand. Farming's response to these concerns should take advantage of new market niches.

Senator HIRONO. Thank you. Murray Clay from the Ulupono Initiative. So, you have been in—your organization has been an advocate for sustainable food, etcetera, etcetera, and you know, are we making improvements?

Mr. CLAY. We are. Do you want me to——

Senator HIRONO. Please, go ahead.

STATEMENT OF MURRAY CLAY, PRESIDENT, ULUPONO INITIATIVE, HONOLULU, HAWAII

Mr. CLAY. Okay. Yes I have—so sounded like a question. So, aloha, Senator Hirono and Congresswoman Tokuda, and any members of the committee. Appreciate the opportunity to speak with you all today.

The Ulupono Initiative is an impact investing firm, as you alluded to. We work across the State to try to increase local food production, renewable energy, clean transportation, and better management of our freshwater resources just to help Hawaii be more sustainable and resilient.

So, we are talking today about the significance of Federal programs and how Federal dollars can be leveraged to support the food system and producers across the State. For the past 14 years, Ulupono has worked and engaged with various sustainable projects in food to really try to increase that local food percentage in Hawaii. We provide financial and technical assistance.

We partner with Government, profit, and nonprofit organizations, including many who have testified here today. So Federal funding resources do play a key role in ensuring our remote island State is able to increase its self-sufficiency, especially as we are highly dependent on imported food.

During the COVID pandemic, Ulupono supported the agricultural industry by connecting Federal monies with local needs to support local farmers and ranchers who had lost many of their markets due to restaurant and hospitality industry closures.

One particular example is the Farm to Foodbank Program, where Government, private, and philanthropic funds were leveraged to purchase locally grown food for food banks to distribute to those in need in our community.

This did several things. It kept farmers afloat with a new market opportunity that they didn't have before. It supported local food banks who struggled to get the normal shelf, stable food that they would regularly carry. And it fed thousands within the community that were needy because they lost their jobs virtually overnight because of the shutdown of tourism.

Our unemployment went from 2 percent to over 20 percent virtually overnight with the lockdowns. So, another way that Ulupono has supported the agricultural sector is by funding grant writers to help the local farmers and ranchers get those Federal program funds.

The majority of Hawaii's producers, as was mentioned, I think by Director Hurd, are less than $25,000 a year in sales, and they operate on farms that are less than 10 acres in size. So, through many conversations with these stakeholders, we know that small farmers often don't have the time or resources to apply for those grants themselves.

Having a dedicated resource to support them in doing so has been really instrumental. So, over the last 10 years, Ulupono has funded a number of grant writing programs, and the total cost of all those programs over 10 years was $1.5 million.

Those grant writers over those same 10 years brought in $133 million of Federal funding. That is 88 times what it cost to fund the grant and loan writers. So, it is a huge leverage opportunity. In anticipation of the 2023 Farm Bill, we also engaged with stakeholders to help identify which Federal programs would be the most effective for helping producers here in Hawaii.

And we collaborated with many of the folks that have testified here, including the USDA Rural Development, the Hawaii Farm Bureau, the Hawaii Department of Agriculture, and other smaller and statewide groups.

So, of the 21 Federal programs that were identified as being useful, we narrowed it down to six priority programs. These are, the Reimbursement Costs Transportation Program, which addresses part of what Mr. Cabral was talking about, the Rural Energy for America program, the Specialty Crop Block Grant, the Non-Insured Crop Disaster Assistance Program, the Livestock Forage Disaster Program, and the Micro Grants for Food Security Program, which were also mentioned today.

So, for your consideration, you will find that our written testimony suggests that amendments for each of these programs, which we think will make it more effective for what producers are actually facing here in Hawaii. In light of what happened on Maui and Hawaii Island last week, these and future Federal programs will be especially critical to support the local agriculture industry and providing relief to local farmers, ranchers, and food producers as they recover from these devastating wildfires.

It is worth exploring opportunities to make better use of the Ag land that we do have. Much of it, as we know, is fallow. Reuse water in the area to produce productive green firebreaks rather than just barren strips of land with no fuel. And increasing capacity around securing Federal funds that you, as our Congressional delegation, have helped make available.

So, I do thank you for the opportunity to testify, and I am happy to take questions.

[The prepared statement of Mr. Clay follows:]

Testimony of Murray Clay, President of the Ulupono Initiative

Email: communications@ulupono.com

U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP FIELD HEARING
"Promoting a Resilient Economy for Hawai'i Farm Businesses"
Friday, August 18, 2023 — 9:30 A.M.

Examination of Federal Programs and their Relationship to Farm Businesses

Dear Senator Hirono and Committee Members:

My name is Murray Clay, and I am the President of the Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

We appreciate the opportunity to address this committee specifically to highlight our work with local producers and their experience with available federal programs. Our team has done extensive work over the past several years to leverage federal dollars to support local producers across the state and would like to provide this testimony to the committee in hopes of supporting the future success of our local agricultural businesses.

COVID-19 Pandemic

During the height of the pandemic, Ulupono looked for various ways to support local farmers and ranchers who had lost many of their markets due to restaurant and hospitality industry closures. One of the ways Ulupono supported the agricultural industry during those tough times was to connect federal monies with local needs. We worked closely with the State and counties to find solutions to keep farmers and ranchers afloat.

One particular example is the work to develop and fund the "farm to food bank" program where government, private and philanthropic funds were leveraged to purchase locally grown food for food banks to distribute to those in need in our community. This program was critical in 1) keeping local farmers afloat with a new market opportunity, 2) supporting local food banks who struggled to stock shelf stable food due to supply chain disruptions and food hoarding, and 3) feeding the thousands of needy within the community who had lost their jobs and were struggling to put food on the table for their families.

Federal Grant Writing

From 2012 to 2022, Ulupono funded three general ag/food grant writers, including a few one-off grant writers for large federal grants (>$20 million), to support local farmers and ranchers with federal program funding. With $1.5 million in Ulupono funding provided over these 10+ years, the total federal funding return to local producers and other food system stakeholders was $133 million, roughly 88 times the initial investment.

With the help of partners at the Kohala Center, O'ahu Agriculture and Conservation Association, and the Hawai'i Farm Bureau, Ulupono has seen how technical assistance and grant writing support can help to leverage federal dollars available to Hawai'i's farm businesses. According to the 2017 USDA National Agricultural Statistics Service (NASS) Census of Agriculture, of Hawai'i's 7,328 farms statewide, 66%, or 4,868 farms, are between 1 and 9 acres and 78%, or 5,701 farms, produce less than $25,000 in sales. Hawai'i's agricultural producer majority is small farmers.

Through many of our conversations across the state, we know that not all small farmers have the time nor the wherewithal to seek out and apply for federal grant opportunities. Having a dedicated resource to support producers in need has proven quite successful over the last several years.

2023 Farm Bill

From August to October 2021, Ulupono engaged with several government agencies and key agricultural stakeholders in Hawai'i to further understand the local needs of farmers and ranchers in an effort to identify useful federal programs. Local partners identified various issues and points of interest for federal resource support through the upcoming 2023 Farm Bill, including equipment, shipping and transportation, fencing, processing capacity, food safety compliance, drought mitigation, and soil health. They also shared that some federal program requirements do not allow for certain uses or have strict limits, reducing the overall usefulness that would make the program worthwhile to Hawai'i producers.

In these conversations with partners regarding the upcoming 2023 Farm Bill, we sought to gain insights into which federal programs support agricultural production in Hawai'i most effectively and which of these programs, if adjusted, have maximum potential to better serve our local agricultural community. We identified 21 federal programs through our conversations with local farmers, ranchers, and government agencies. While each of these programs is significant and we would appreciate any support given to the overall list during the congressional development of the 2023 Farm Bill, we further identified six priority programs critical to local producers. Where applicable, we provided specific recommendations for language changes and funding support.

Top Federal Programs with Recommendations

1. **Reimbursement Cost Transportation Program:** a USDA Farm Service Agency (FSA) program for geographically disadvantaged farmers and livestock producers to reimburse producers for a portion of the cost to transport agricultural commodities or inputs used to produce an agricultural commodity.

RECOMMENDATIONS:

- Maintain this program.
    - Only farm operations in Hawai'i, Alaska, and U.S. territories are eligible for this program.
    - This program is extremely popular in Hawai'i. On an annual basis, the local Farm Service Agency (FSA) office receives between 200 and 300 applicants, and program demand far exceeds available funding.
    - This program was established through the 2008 Farm Bill and reauthorized without an expiration date through the 2014 Farm Bill.
- Increase the funding for this program via designating the program funding as mandatory or through the annual appropriations process.
    - The program funding for Hawai'i is fully subscribed every year.
    - Until recently, the program received approximately $2 million each year, of which Hawai'i receives a portion. As of this year, $4 million is appropriated to the program. Under the 2008 Farm Bill, this program has annual discretionary funding of $15 million. Given the

overwhelming popularity of this program, we recommend securing at least $5 million, if not more, per year for this program to meet program demand.

- In tandem with increasing program funding, increase the cap on the annual payment amount per producer from $8,000 to $16,000 per producer per year.

2. **Rural Energy for America Program:** a USDA Rural Development (RD) program that provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses for renewable energy systems or to make energy efficiency improvements.

RECOMMENDATIONS:

- Amend the program's state allocation formula to reflect "supplemental poverty level" as opposed to "poverty level."
    - Hawai'i's supplemental poverty measures are significantly higher than traditional poverty measures, because cost of living is taken into account in supplemental poverty measures.
    - This change will address the issue of Hawai'i's highest or near-highest cost of living in the nation.
- Amend the allocation formula weight factors to be equal to 33% across each of the three criteria (1. State's percentage of national rural population; 2. State's percentage of national rural population with incomes below the poverty level; and, 3. State's percentage of energy cost).
    - Increasing the weight factor of "3. State's percentage of energy cost" from 25% to 33% should increase Hawai'i's allocation, since Hawai'i has the highest energy costs in the nation.
- For the national competitive applications outside of state allotments, amend scoring categories to:
    - Increase the "(f) Simple payback" from 15 to 20 points.
        - This category incorporates energy costs into the calculation and allows Hawai'i to benefit with more potential points.
        - Decrease "(b) Energy generated, replaced, or saved" from 25 to 20 due to raising the simple payback category.
    - Create a new category "High energy cost state" to be defined as a state with 1.5–2 times the national energy cost average). This category can hold 5–10 points.
        - Adjust other categories accordingly to account for new category (i.e. "(b) Energy generated, replaced, or saved").
- Increase funding for program for both restricted and unrestricted grants.
- Increase the percentage of grant project costs from 25% to 50%.

3. **Specialty Crop Block Grant**: a USDA Agricultural Marketing Service (AMS) grant to state departments of agriculture dedicated to enhance the competitiveness of specialty crops.

RECOMMENDATION:

- Amend program to allow each state department of agriculture to be eligible to receive a base grant of $500,000.
    - This program's estimated base grant appropriation for each state department of agriculture is approximately $243,001.17.
    - The Specialty Crop Block Grant Program in Hawai'i is highly utilized by the local agricultural industry as specialty crops comprise a substantial percentage of crops grown within the State. Each year the State of Hawai'i Department of Agriculture posts a request for proposal to which applications clearly exceed the local need. With this base funding adjustment, Hawai'i will be able to better serve its producers with important federal resources.
    - This funding can continue to support producers that seek to increase specialty crop operation scale and entrepreneurship, to develop and implement applied specialty crop research, and to secure other large federal grant opportunities (i.e., Small Business Innovation Research).

4. **Noninsured Crop Disaster Assistance Program:** a USDA FSA program that provides financial assistance to producers of noninsurable crops when low yields, loss of inventory, or prevented planting occur due to natural disasters.

RECOMMENDATIONS:

- Amend "Subpart F — Determining Coverage in the Tropical Region" to allow for loss determination based on farm input expenses.
    - This program determines loss based on a 50% threshold, annual yield and expected production. This methodology is not suitable for Hawai'i producers as it does not take into account Hawai'i's year-round planting season, and producers' use of just-in-time planting of multiple types of crops. The program seems tailored to the needs of large-scale monocrop farmers on the U.S. Mainland. Given the year-round planting and harvesting of different types of crops, it is challenging for Hawai'i producers to participate in the program and qualify for losses.
    - Therefore, the use of farm input expenses can serve as the basis for determining potential cost recovery after an eligible cause of loss occurs. This change will make this program accessible to more Hawai'i producers and closely aligns with the producers' standard operating procedures of keeping track of and reporting on farm input expenses.
- Reintroduce the Crop Disaster Program (2007).
    - This benefit coverage allows producers with the opportunity to qualify for "after the fact" assistance.
        - Farmers would not have to report plantings, production, and establish yields for all plantings in the crop year. They could apply for benefits after the disaster event, and only need to report plantings that were affected by the disaster.

5. **Livestock Forage Disaster Program:** a USDA FSA program that provides compensation to eligible livestock producers who have suffered grazing losses for covered livestock and who are also producers of grazed forage crop acreage of native and improved pastureland with permanent vegetative cover or acreage planted specifically for grazing, losses of which must occur on land physically located in a county experiencing a qualifying drought during the normal grazing period for the county.

RECOMMENDATION:

- Maintain this program and its current funding.
    - Hawai'i agricultural operations receive an estimated $2.9 million from this program annually.
    - This program provides important resources to our local ranching industry in times of disaster and drought.
    - This program is critical as local ranching industry relies heavily on pasture and forage grazing.
    - Current eligibility requirements are favorable for Hawai'i producers.

6. **Micro-Grants for Food Security Program:** a USDA AMS program that assists agricultural agencies or departments in eligible states and territories to increase the quantity and quality of locally grown food in food insecure communities through small-scale gardening, herding, and livestock operations in food insecure communities in areas of the United States that have significant levels of food insecurity and import a significant quantity of foods.

RECOMMENDATION:

- Maintain this program and its current funding.
    - Only agricultural operations in Hawai'i, Alaska, and U.S. territories are eligible for this program.
    - This program has proven to be an effective support mechanism for small producers across the state.
    - This program provides important start-up or gap funding for small producers.

With additional funding to provide increased resources to hard working local farmers and ranchers, we hope that Hawai'i's producers will be better positioned to draw on these important federal resources that are made available by Hawai'i's Congressional Delegation. We hope that these programs identified are adjusted to increase producer participation and funding availability.

Thank you for the opportunity to testify.

Respectfully,

Murray Clay
President

Senator HIRONO. Thank you very much. We will now go to our 20 minute questions. I am really fascinated by the way, Mr. Clay, that you have a grant writing program. And what are the—what kind of people sign up for the kind of training that you provide to enable them to successfully receive grants? Just very briefly.

Mr. CLAY. Sure. So, we presently fund grant writer. Our longest funded grant writer is here on the Big Island at the Kohala Center. We also fund grant writers at OCA, which is more focused on Oahu.

And then with the Farm Bureau that kind of works, of course, statewide. So those three grant writers work with their constituents in their geographic or across the State region to help them even know what they should be applying for and how to apply for it. Because without those skills, you are taking a very, very busy farmer and trying to get them to apply this very complicated thing.

And it is all well intentioned, but they just don't know how to do it. And so rather than having those funds go to just those that have the best writing skills, they go to those where they have the greatest need and can impact our food sector the best.

Senator HIRONO. So clearly, there are a lot of grants that have been made available, by the way, through some of the really huge bills that have been enacted by Congress. So, the infrastructure bill, the COMPETES Act, the omnibus bill, and there is more money, for example, to fight climate change—some $300 billion.

A lot of—there is substantial amounts in grants. And that is why what you are doing to train grant writing is really important, although part of it is that we could make the, say the application process more clear or shorter, whatever we need to do along those lines.

Thank you very much. By the way, that you said that you identify six priority grants that really make a difference. Are all of these grants being reauthorized? Is there any danger of any of these grants ending?

Mr. CLAY. I am not certain about risk of them ending, but in our written testimony, we put in specific recommendations for awarding changes and requirement changes that would make it more beneficial to folks here in Hawaii based on our outreach to local folks, local farmers and ranchers here.

Senator HIRONO. Please let us know. And then we do have the Deputy Administrator of SBA, to the extent that SBA grants are very complicated. And in fact, there was a reference that, Mr. Burns, about the CPAs, having a hard time where—and they need to be certified.

Whatever you were talking about, that makes it harder for our people to apply for these particular loans. Not sure, but we need to—if you can get with our Deputy Administrator on, maybe we make it easier for us to access the programs that we need. Mr. Cabral, can you explain how the management of rangelands on Hawaii Island helped with wildfire containment?

Mr. CABRAL. Yes, absolutely. I think most pastureland is well managed by the tenants or landowners through grazing. They make sure that they keep down invasive species, which has been a problem with the fires in Lahaina, overgrowth of guinea grass.

You know, they have the resources and equipment necessary to control what they have growing on their particular parcels, and they can control the grazing so that you don't have this high fire load. I think that makes a big difference.

Around the Lahaina, there was no control of the invasives and grasses around it, and that I think is a major factor in that fire.

Senator HIRONO. So, did these farmers work with any organization to alert them to what they could be doing to make sure that the wildfires are contained? Should that occur? I think there is a statewide organization, the Wildfire Management Group——

Mr. CABRAL. Yes, I think we have been——

Senator HIRONO. Have the farmers worked with——

Mr. CABRAL. We have participated in some of these wildlife management groups in the past. And so, it is something that I think we can be part of, and I think we would be more than happy to be part of that group to find solutions to the problem.

Senator HIRONO. There is an organization, I believe their name is the—I am looking at my staff because I meet with a lot of people. Yes, there we go, the Hawaii Wildfire Management Organization, and they have pretty much mapped the entire State as to wildfire vulnerabilities. And I think they also worked with your farmers and—on the Big Island to enable them to do what they needed to do.

And I think that kind of awareness and cooperation is really going to be part of the lessons learned. And once again, for you, you mentioned that a top priority is invasive species. And that is something that Congresswoman Tokuda and I are going to continue to—she just joined the U.S. House, but I know she has an awareness of the need to continue funding research into combating invasive species.

And you have indicated that is the number one priority that impacts our Ag community. And so, you know, I would appreciate any other kinds of requests that you would like to put to both me and Congresswoman Tokuda in how we can continue to combat invasive species.

Mr. CABRAL. I will tell you, Senator, under the past Administration, when Secretary Purdue was their head of Department of Agriculture, he came on a visit and I asked him point blank about helping with invasive species, that the USDA needs to do more.

And his answer to me was, we do enough for Hawaii. I was floored by that response. Unacceptable, you know, as far as I am concerned. But that was the thinking back then. And I hope this Administration thinks differently and realizes that Hawaii is basically the invasive species capital of the world, I think. And we need—desperately need help.

Senator HIRONO. Thank you. I think that—you know, that is one of the things that I talk about a lot on the committees that I sit on. That for one thing, on the Energy committee, that focuses a lot on wildfires and to alert the committee members that Hawaii has its share of wildfires and the acreage burned is on a par with what happens on the mainland.

And we don't have a Forest Service presence here as such, but we did meet with some Forest Service people. We do not have any

national forests in Hawaii, and I am trying to bring that kind of a presence here.

For—again, for Mr. Clay, how can ongoing efforts by Ulupono and other organizations to bolster our internal food supply chain and grow the volume of food we are producing in Hawaii help us better respond to disasters moving forward?

Mr. CLAY. So, I think we are all aware that we are, as was mentioned, the most isolated, populated landmass in the world. We are 85 to 90 percent dependent on imported food. We rely on just in time delivery of that food, and then not to mention tourism is our number one industry, which as we have seen, can go away virtually overnight.

So, we are very, very vulnerable. I would say when it comes to food security, I would almost reclassify natural disasters in two different categories, when it comes to food security. One are disasters that impact our ability to import food.

So, it doesn't matter whether it is a hurricane, a wildfire, a tsunami, that is one category. And that is mostly about damage to our ports and harbors that restricts our ability to import food. The worst possible situation would be damage to Honolulu Harbor and Honolulu International Airport because most of the large shipments of food come in via those ports.

The other type, which is more like what we are seeing with some of the wildfires, not just on Maui but elsewhere, is damage to local infrastructure, which ironically makes it difficult to get both imported or local food in.

Now, if you have the difficulty with imported food as we saw during the COVID pandemic, local food can step up and make a big difference. For example, when the slaughterhouses, the meatpacking plants in the mainland were being shut down almost across the nation because of COVID infections, it became very, very hard to find a lot of different meat products in the grocery stores, but across the entire COVID pandemic, Paniolo Cattle Company and Parker Ranch that we worked with did not miss a single delivery of local beef to the Safeway stores over that entire period of time. In fact, they increased production over that period of time.

So local food can make a very big difference. But one of the other things that we got to remember is when these disasters happen, tourism often goes away with it. And when tourism goes away, the most lucrative market for farmers and ranchers, the restaurants and resorts, close down as well.

So, we have to switch that funding, like we talked about before, as farm to food bank, so that the food banks that are having trouble getting food can buy directly from the farmers and ranchers because you have got farmers and ranchers that have food but no markets.

You have got people out of work that need food but have no money, and you just put those two together and it can be really successful in growing. I would also point out that we are very focused on institutional purchasing efforts, including especially with the Hawaii State Department of Education and their legal requirement to get to 30 percent local food by 2030. Right now, that number is a fairly abysmal, 6.2 percent according to the report.

Farmers and ranchers will grow. They will expand, especially with Federal resources. But they are only going to do that if they think the State is really going to follow through on this and really increase local production.

And reaching that goal of 30 percent would mean an extra $14 million of market for local farmers and ranchers. So, we are focused on the institutional side of that problem as well.

Senator HIRONO. I think that kind of focus effort to purchase local by the Department of Education, you know, is—I have been trying to get them to put fresh pineapple in our school lunches.

And for a long time, all of our cafeterias are so used to just open up the canned pineapple, that when we finally got some fresh pineapple, people have to figure out how to cut the pineapple, if you can believe it. So, there are a lot of things we can do. And one of the other things mentioned was the need for workers. Mr. Cabral, that is a nationwide need for farm workers.

And there is a lot more focus in the Judiciary committee even on the visas that will enable our farms to keep going. And so, you know, there is a lot of, you know, connection to the awareness of what we need to do, and especially after COVID.

We have a lot of areas where we can—immigration reform needs to happen. All of that. And obviously I will talk with you, mister—I am sorry, regarding the CPA issue. My time is up, so I am going to go to Congresswoman Tokuda.

Ms. TOKUDA. Thank you. Really quickly, I will just piggyback then on Senator Hirono's last comment about the CPA examination opinion. I am just wondering, I know you are asking for more funding to provide support since people are having to seek out CPAs on the mainland, as well as it gets very costly.

But is there any look at an alternative process to ensuring some of the financial validity without having to do the CPA examination opinion? It is very hard for folks, especially on the neighbor island, to be able to actually access this kind of professional service, and so, are you looking at an alternative process to the CPA examination opinion?

Mr. BURNS. Thank you for the question. So that is a requirement of the USDA. So, we don't have the ability to change that. So that is why I mentioned in this specific program, which is the community facilities program, that at a certain level, they do require that.

So normally when we write the feasibility study, if it is at a certain level, that requirement is not necessary. But at a certain level it kicks in, and that is where we have encountered that difficulty. So, we don't have the ability to change that requirement. That is part of the USDA.

Ms. TOKUDA. USDA. Okay, so that is something we can discuss with the USDA about alternatives to even having this examination process, which is particularly onerous for our people.

I just also did want to reiterate and confirm that I know SBA is opening a business recovery center, has already in Maui and Kihei, and you have SBDC representatives on site to assist with connecting people with resources. So, thank you for doing that. Just want to move over to Mr. Cabral.

Randy, thank you so much for your advocacy and help. We could spend all day talking about the areas of knowledge that you have.

In particular, I want to focus in on the disaster, you know, assistance programs that we have. I know even before the fire I spoke with farmers who have spoken about the fact that the disaster eligibility cycle is not meeting up with the demands we have to date.

You know, for some of these programs, you can only apply twice in 10 years, and we know disaster is striking much more frequently because of climate change. And, you know, so we actually have been pushing some reforms in the Farm Bill to decrease that, you know, that time of period because people need to access funds when disaster strikes.

And so, to the point of the disaster assistance programs of various ones, I know, Mr. Clay, you mentioned a number of those in your testimony. What are farmers finding prohibitive or challenging in terms of being able to apply for these disaster assistance programs? How can we reduce some of the barriers?

What are they seeing they really need? Because whether it is a bridge washing out and they can't get their produce to market, whether it is something taking out entire crop, invasive species, axis deer, you name it.

What can we do better when it comes to disaster awareness—assistance programs, excuse me, that our farmers need to make it easier to draw down and apply for?

Mr. CABRAL. I know there is talk of like a small business or loans, right, low interest loans. But I think a lot of the farmers are already in debt. So, getting another loan is not going to help them.

So, I think grants would be the preferred method for these farmers. And also, there are a lot of immigrant farmers, that there is this language barrier. They don't understand the programs.

So, we need to have somewhere where they can go and get interpreters to help them process whatever it takes to be able to get help. So those are the kinds of stuff I think that could help.

Ms. TOKUDA. Absolutely. You know, are they also finding—at this point, grants definitely versus loans because they are already cash strapped, but are there other challenges you are seeing with some of these loans just in terms of whether it is the amount of money and resources we are able to support folks with, reimbursed folks with?

You mentioned that with the RTCP program, the Transportation Reimbursement Cost Program is being helpful, but quite frankly, not enough to match the, you know, the costs and whatnot.

So just giving us some insight in terms of where we need to beef up certain programs, whether it be grants, reimbursements, or loans, because farmers, quite frankly—it is becoming a make or break, whether you are part of the fire damage or not, to be able to survive.

So, any thoughts on these—?

Mr. CABRAL. Yes, I mean, if you take the, for example, the ranchers that got impacted on Maui. They are going to need feed. But the cost of importing that feed is really hard for them to do. So, they need help in being able to get either reimbursement costs or grants to be able to import this feed for the cattle while they recover from that.

And I think like some of the farmers lost their market in Lahaina, so they need help in finding new markets. And one way

of helping them, we talked about the food basket, food banks. Purchasing local food.

And by giving grants to the food basket, food bank, they can then purchase from these farmers and help them recover from that market. During the pandemic, we were able to get around three quarters of a million dollars from private resources, and we took that money and bought from struggling farmers and ranchers, and then gave it to the food basket on the Big Island.

So, programs like that could really help.

Ms. TOKUDA. Thank you. I know those are very, very helpful for a lot of different people and for all of our farmers. I wanted to jump to Mr. Clay. You know, as Senator mentioned, you folks did some significant investments over the last decade in terms of supporting farmers and their efforts to draw down what is a very large amount of Federal grant money.

So, there is money available on the table. Based upon what you have seen in terms of the technical assistance work that you have provided, what kind of changes and supports do we need to be providing to make it easier for farmers, ranchers, and producers to be able to take advantage of all the Federal funds that are available to start, sustain, grow, rebuild their businesses?

We have talked a lot about language access. We have talked a lot about increase—you know, streamlining forms. But based upon your real life experience, really what do we need to do to connect farmers and producers with the money they so desperately need right now?

Mr. CLAY. So, to start, I am going to piggyback because it is relevant to something that Randy just said, which is translation services, essentially. So, I know we are here mostly talking about Federal programs, but just as an example.

The city and county of Honolulu recently did a small grant program for $50,000 of grants to a whole bunch of farmers. And we worked with the Pacific Gateway Center to fund translation services. And I believe that because of that ability for them to understand and apply, I want to say three-quarters, but don't quote me on that, but it is definitely more than half of the winners of those grants speak English as a second language.

So, if they can't access that, they can't understand it, they don't even know what they qualify for. Translation can be a big deal. Another one I would say is these grant writers, keep in mind that they are just gems. They are so valuable because they are not just taking farmers and ranchers that come to them and say, hey, I would like to apply for a value added producer's grant.

They don't even know what is out there. They don't know what is available. And so, these people kind of counsel them on what grants are available and then help them with the application, sometimes with the business plan and some other things to get these monies in. So, I would say we have a kind of scarce resource here.

There is only maybe a half dozen of those types of folks in Hawaii that I am aware of that are really good at pulling down that Federal funding, that know how to do it, and can counsel farmers and ranchers to know what to apply for and how to do it. And we have got to hold onto them.

There is not many of them here in Hawaii. And training them, I think was mentioned, training more of such people would be a benefit as well.

Ms. TOKUDA. Thank you. You know, and I would—I know there has been a number of different panelists here and some of these questions I feel like are made for many of them.

But just broadly, and Senator did touch upon this in terms of the role, and Randy, you talked about this too, the role agriculture and our Ag practices to play in climate change mitigation.

I mean, for example, when we take a look at wildfires and brush fires, you know, are we maximizing our placement of farms, maybe targeting, you know, grazing lands, agroforestry techniques to really be able to slow down a lot of the fire that we are seeing.

Obviously, invasive species, as Randy mentioned, plays a role in accelerating the impacts on our land as well, whether it be, you know, fallow lands, whether it be barren lands, all of these different things.

We are, in fact, the invasive species capital of the world, as was mentioned. We are also the extinction capital of the world. Two very, you know, unfortunate things that we are known for. But sadly, when we do nothing in terms of resources and actually addressing this, it turns deadly.

We can't feed ourselves, and you have wildfires like what we have just seen. So, there are real consequences and costs, life costs if we do not act quickly on managing our invasive species threat.

So just wondering, I am speaking to CTAHR now, to Dr. Wright, is there anyone also working closely with our Department of Agriculture, with our Farm Bureau, our actual producers, to take a look at how we are studying this role of agriculture, how we need to be more proactive in terms of the use of our Ag lands, much of which are fallow, that now need to be productive, whether it be agroforestry, whether it be grazing lands, to really understand that we are dealing with climate chaos right now and we will continue to see more and more of these types of incidents, and we have an opportunity to preempt and prevent some of this using these particular techniques?

Dr. WRIGHT. Yes. So, we do have a program in the Department of Natural Resources and Environmental Management that considers wildfire prediction modeling and so on, and I think they are looking at the way land is used and the spillover effects of fallow lands with invasive species.

And in general sort of since the college recognizes that invasive species is a major impact and that it results in these horrendous, disastrous events like wildfires and so on, so it is a big driver in the college. We are constrained by lack of resources such as quarantine facilities for biocontrol for invasive species, for example. And those are things we plan for. We have a number of groups of people that work in those areas. Does that answer your question?

Ms. TOKUDA. Well, I think it just points to the fact that we have a lot more work to do. And as is brought up in this hearing, while right now our only protection is a sheet where you check off a box when we have threats of invasive species, we have noxious weeds, we have guinea grass. We have so many things that are quick

burns. We have to do more, or it will turn deadly for many of our communities. So, thank you, Senator.

Mr. CABRAL. Congressman, if I could make one comment. In Ag——

Senator HIRONO. Can you speak into the mic—?

Mr. CABRAL. We are not able to do a whole lot without water. Water is going to be the key to a lot of stuff that we need to do. And unfortunately, there is a lot of controversy over water.

If you look at Lahaina and the controversy of taking that extra flow to fight fire versus the farmer, you know, that was an issue that I think played out across the islands. East Maui water system is so controversial, but we need to be able to share water.

We need water development to make sure we can protect these areas, create green space. If we are going to put in agricultural crops, we need water, otherwise, we are not going to be able to do anything.

Senator HIRONO. Excuse me—thank you very much. As we focus on sustainability and resilience in our communities, agriculture has a very large role to play. And yes, agriculture faces many challenges.

Part of what we do in Congress is, is to point out how unique Hawaii is, not the least of which that we are very isolated, the thousands of miles of ocean. That presents unique issues for us in terms of transportation and all kinds of other elements, invasive species that other States may not have—not faced quite to the extent that we do, and the need to research at CTAHR and other places for all of that.

So, this is a hearing that brings together agencies from the Federal Government, as well as State and local advocacy groups, to bring to bear how important our focus is on food sustainability and resilience. And this is one of the ways that we can be much more focused and proactive in what we need to do. But it is a lot.

And things like our ability to get grant money, if we don't apply successfully for those grants, we are leaving money on the table that can be brought to bear. So, it is a lot of organizations, Federal, State, and local coming together to address the issues that we face.

And by the way, I am glad that the Pacific Gateway Center was mentioned because they are a group that provides language services, etcetera, and they enable a lot of immigrants who come to our State to succeed. And I know for a fact that they have enabled restaurants, for example, to get the kind of help that they need from Pacific Gateway Center. And one restaurant that we have been to is Istanbul, and they got their start at Pacific Gateway Center.

So, there are organizations that not very many people here know about, but they are plugging away, just as all of us are and all of you are. Thank you very much for the two panels. And for the record, our committee will remain open for two weeks for questions for the record. And of course, we would ask the witnesses to respond promptly to those questions.

And I want to thank Congresswoman Jill Tokuda for joining us, because she sits on the Agriculture committee and is going to be very focused on putting into the Farm Bill those kinds of provisions that will be very, very focused on what we need to be pushing for, for Hawaii.

So, thank you, Jill, for being here. There being no further business, the committee stands adjourned.

[Whereupon, at 11:25 a.m. HST, the hearing was adjourned.]

Senate Committee on Small Business and Entrepreneurship Field Hearing
August 18, 2023
Follow-Up Questions for the Record

Questions for Mr. Murray Clay

Questions from:

Senator Hirono

With today's field hearing we have an opportunity to examine how farmers can actively participate in efforts to reduce wildfire risk and improve food security.

QUESTION 1:

How might active agricultural use on fallow lands and expanding/improving irrigation, including recycled water systems, contribute to both wildfire risk reduction and improved food security?

Agriculture can be the key to preventing and mitigating against wildfires. Farmers and ranchers manage forests, establish "fuel" breaks, provide buffers, and can even replenish the ecosystems impacted by wildfires. As we have seen throughout Hawai'i, when ag land goes fallow, vegetation grows unmanaged and contributes to a high fuel load. Active agriculture creates conditions that make it harder for wildfires to spread and cause damage.

For example, green, irrigated bands of farm and well-managed pasture lands are less likely to burn than dry brush (or, as on Maui, fields of six to ten-foot tall guinea grass). It's also worth noting that lands owned by Mahi Pono, despite being located in a very dry region of Maui, appear to have benefited from the agricultural stewardship and water applied to the area.

Specific Ways Agriculture Contributes to Wildfire Prevention and Mitigation

- **Grazing and Livestock Management:** Controlled grazing strategically allows livestock to graze in specific areas to manage vegetation growth. This prevents the buildup of dense, dry vegetation that can act as fuel for wildfires. Livestock grazing can help maintain lower vegetation levels which reduces the intensity of potential fires.
- **Creating Firebreaks:** Firebreaks are cleared strips of land that act as barriers to hinder the progression of wildfires. These areas are usually devoid of flammable vegetation, making it difficult for fires to spread across them. Firebreaks can be especially useful for protecting structures and valuable resources. There are many different types of firebreaks; green firebreaks offer a preferrable alternative to barren land or large physical barriers.
- **Vegetation Management:** Maintaining defensible spaces involves clearing away dry vegetation and creating a buffer zone around structures, equipment, and infrastructure. This minimizes the chances of a fire reaching critical areas and causing damage.
- **Crop Rotation and Cover Crops:** Crop rotation involves alternating the types of crops grown in a specific area from season to season. This practice can help reduce the buildup of flammable plant material and pests. Planting cover crops during non-growing seasons can further protect soil health and limit fire-prone vegetation.

- **Mechanical Fuel Reduction:** Mechanical methods like mowing, plowing, and mulching can be employed to decrease the density of vegetation on agricultural lands. By reducing the amount of available fuel, these methods help reduce the risk of wildfires spreading rapidly.

Agricultural communities can also collaborate with local fire agencies on fire prevention strategies, including coordinated efforts to manage dry vegetation, create defensible spaces, and establish fire response protocols.

Just this past summer, Parker Ranch played a key role in saving a few homes and farm lots from destruction in Lalamilo on Hawai'i Island. Important factors included formal wildland firefighting training the ranch's teams have undergone, the ranch's fire equipment (fire trucks, tankers, skid units, frog ponds, etc.) regularly deployed to put out fires on property or in the greater Kohala area, and the "dip tanks" and reservoirs installed and made available to helicopters. A recent story in *Honolulu Civil Beat* by Thomas Heaton documented the event (see Big Island Farmers Held Back a Fire Until Help Arrived).

In 2018, a fire that started in Keauhou Ranch in a koa reforestation plot blazed quickly through the Mauna Loa strip of Hawai'i Volcanoes National Park (HVNP). Kapāpala Ranch's bulldozer was mobilized to the ranch boundary with HVNP within 4 hours. The fire reached the ranch boundary the following day and the ranch's freshly cut fire breaks were ready. Ranch personnel were onsite to fight fire with water from Kapāpala's Kaniwai reservoir system. The Kaniwai reservoir was completed in 2013 as part of a USDA Natural Resources Conservation Service cost-share project. At 4,850 feet, it supplies gravity-delivered water to the entire ranch through 110 miles of pipeline without the use of pumps. It delivered water for four days to four Hawai'i Division of Forestry and Wildlife fire trucks as well as three spray rigs. This prevented the fire from engulfing the ranch at Ohaikea, the HVNP boundary. Ranch personnel fought the blaze for six days and five nights using its D8 dozer, excavator, backhoe, skidsteer, grader, and water from the Kaniwai reservoir. These resources helped prevent the fire from spreading throughout the ranch. In addition to heavy equipment, dedicated ranch personnel on the ground are crucial to effectively fighting fires as they have the knowledge of access roads and water resources — as well as the drive to protect the land from spreading fires.

Ag Irrigation Is Critical Infrastructure

Employing agriculture to prevent and mitigate against wildfires will require investment in maintaining old — often plantation-era — systems, but also in improving them. For example, this includes piping irrigation water that is currently distributed through ditch systems. Ditch systems can lose significant water to evaporation and leakage, which will only get worse with climate change. Further, given decreasing rainfall in Hawai'i and the increasing length and severity of droughts, it is imperative that useable water is not wasted.

Another water resource is waste water treatment plants and related distribution systems. There's simply no excuse for putting treated wastewater in the ocean or in injection wells when we can use it directly for agriculture. It is worth considering the development of these reused water resources near agricultural lands to suport agriculture irrigation. However, irrigation and recycled water systems are capital intensive, which is why they have not been fully developed in Hawai'i. (See attached maps showing the recycled water system and irrigation system in reference to the Lahaina fires.)

The installation of water tanks around the margins of vulnerable communities, which could be fed by an expanded recycled water system, provides both a water source for active agricultural operations and fire suppression.

Ultimately, Hawai'i would be well advised to provide farmers and ranchers with recycled water at little to no cost as they are simultaneously addressing both food security and wildfire risks. It is also worth allowing local ranchers to lease the land practically for free since their responsible stewardship alone will keep the growth in check. In the place of financial lease payments, the continuance of a State land lease could be contingent upon performance requirements like maintaining green irrigated land or having a maximum height of grasses and brush on the property — essentially, the farmer or rancher manages the fuel load in place of financial lease payments.

Ranching and Farming in Hawai'i (1937 vs. 2015)
As illustrated in this map published by *Hawai'i Business* magazine, over the past 80+ years, Hawai'i's economy underwent transformations and agricultural activities decreased, including the relocation of grazing animals and larger portions of land left unused, which resulted in fallow areas. Consequently, these abandoned spaces become susceptible to colonization by nonnative species like Guinea grass. Significant changes in land were allocated for grazing and crop cultivation over a span of 78 years. Pasture areas are highlighted in red, while farm areas are denoted in black. (Source: Why Hawai'i's Wildfires Are Growing Bigger and More Intense, Hawai'i Business, Nov. 11, 2022)

According to Clay Trauernicht, a botanist and fire scientist in the Department of Natural Resources and Environmental Management at University of Hawai'i at Mānoa, Guinea grass and fountain grass, along with nonnative scrubland, now cover about a quarter of Hawai'i's land, or one million acres. Much of that land was once used for farming and ranching; it now lies vacant, the remnants of faded industries. These invasive plants possess exceptionally high levels of fuel loads, which substantially amplify the size and intensity of fires that occur in these regions. (Source: Hawai'i Department of Agriculture, "Statewide Agricultural Land Use Baseline 2015")

QUESTION 2:

What role should the federal government play as we work on these issues?

While we acknowledge the need to ensure recipients of federal grant funds are qualified and able to manage/expend funds, it is important for the federal government to make sure the application processes aren't overly cumbersome. We also recognize the need to still ensure recipients are qualified and able to manage/expend funds.

An example of a good program and source of funding to support wildfire mitigation is the USDA Forest Service's Community Wildfire Defense Grant (CWDG). Its application process is straight-forward and should serve as a model for other grant programs.

In addition, we understand that the U.S. Bureau of Reclamation, through its title XVI (16) program, has awarded about $1 million to Maui so the County can develop the engineering plans for the recycled water system expansion (part of the IIJA). These plans are required to unlock about $20 million of Environmental Protection Agency state revolving fund money to pay for the construction of the expansion. Maui County has not yet utilized this award outside of preparing an environmental assessment. It is unclear whether this is a capacity issue or requires a priority shift.

QUESTION 3:

What role should the state and local government play on these issues?

Hawai'i's state and local governments play a pivotal role in providing the support and financial assistance necessary to both address catastrophic natural disasters and boost food security for our local communities. This can happen in many ways, but most notably through sound land use policies, lease awards, and strategic investments.

Lands across Hawai'i have various zoning and allowed uses that determine the viability of commercial production or development. In many cases, large tracts of land remain inactive while landowners decide on their next endeavor. For Hawai'i's agricultural acreage, it is important for the State to invest in land acquisition and preparation, affordable lease structures, and access to water resources, including the development and use of recycled water. Additionally, county governments can further consider how zoning and land use regulations can help to incentivize and support the active production of agricultural lands by our hard-working local farmers and ranchers. Encouraging the better management of agricultural lands, key investments into our irrigation systems and water resources, and making farming and ranching viable career options will undoubtedly help Hawai'i to address food security while also reducing the risks of wildfires and other natural disasters.

Hawai'i's current fallow lands and irrigation systems have been left in a state of disrepair from a bygone plantation era. These resources are long overdue for an improvement overhaul which is only attained when lawmakers elevate water resources as a priority integral to people's livelihoods. Local legislation and budget measures can elevate water and local food production as cornerstones to rebuild and plan for the future.

In addition, it is worth building capacity within the State to secure and manage federal grants, including growing a grant writing staff. The return on the investment in that staff capacity is substantial. From 2012 to 2022, Ulupono funded three general ag/food grant writers, including a few one-off grant writers for large federal grants (>$20 million), to support local farmers and ranchers with federal program funding. With $1.5 million in Ulupono funding provided over these 10+ years, the total federal funding return to local producers and other food system stakeholders was $133 million, roughly 88 times the initial investment. With the help of partners at the Kohala Center, O'ahu Agriculture and Conservation Association, and the Hawai'i Farm Bureau, Ulupono has seen how technical assistance and grant writing support can help to leverage federal dollars available to Hawai'i's farm businesses. According to the 2017 USDA National Agricultural Statistics Service (NASS) Census of Agriculture, of Hawai'i's 7,328 farms statewide, 66%, or 4,868 farms, are between 1 and 9 acres and 78%, or 5,701 farms, produce less than $25,000 in sales.

<u>Agriculture Addresses Both Wildfire Risk and Improved Food Insecurity</u>
Along with mitigating wildfire risk, Hawai'i has another incentive to support agriculture: food security. The state remains in a precarious position given our geographical isolation, our dependency on importing 85-90% of our food and just-in-time delivery of goods — not to mention our reliance on tourism as our number one industry. In 2016, then-Gov. David Ige pledged to double local food production by 2030.

Federal incentives will go a long way toward removing excuses for lack of progress by Hawai'i's farm-to-school efforts, despite the benefits of success being numerable. At times of disaster, whether it's the COVID pandemic or the West Maui wildfires, tourism is also impacted, which dries up food producers' most lucrative customer base (resorts and restaurants). During the pandemic, Ulupono Initiative supported local food banks that were a critical lifeline for vulnerable residents to get the food they needed. We specifically funded the food banks to purchase from local farmers and ranchers who had the supply but lost their markets. It is times like these when Hawai'i must be prepared and willing to shift quickly.

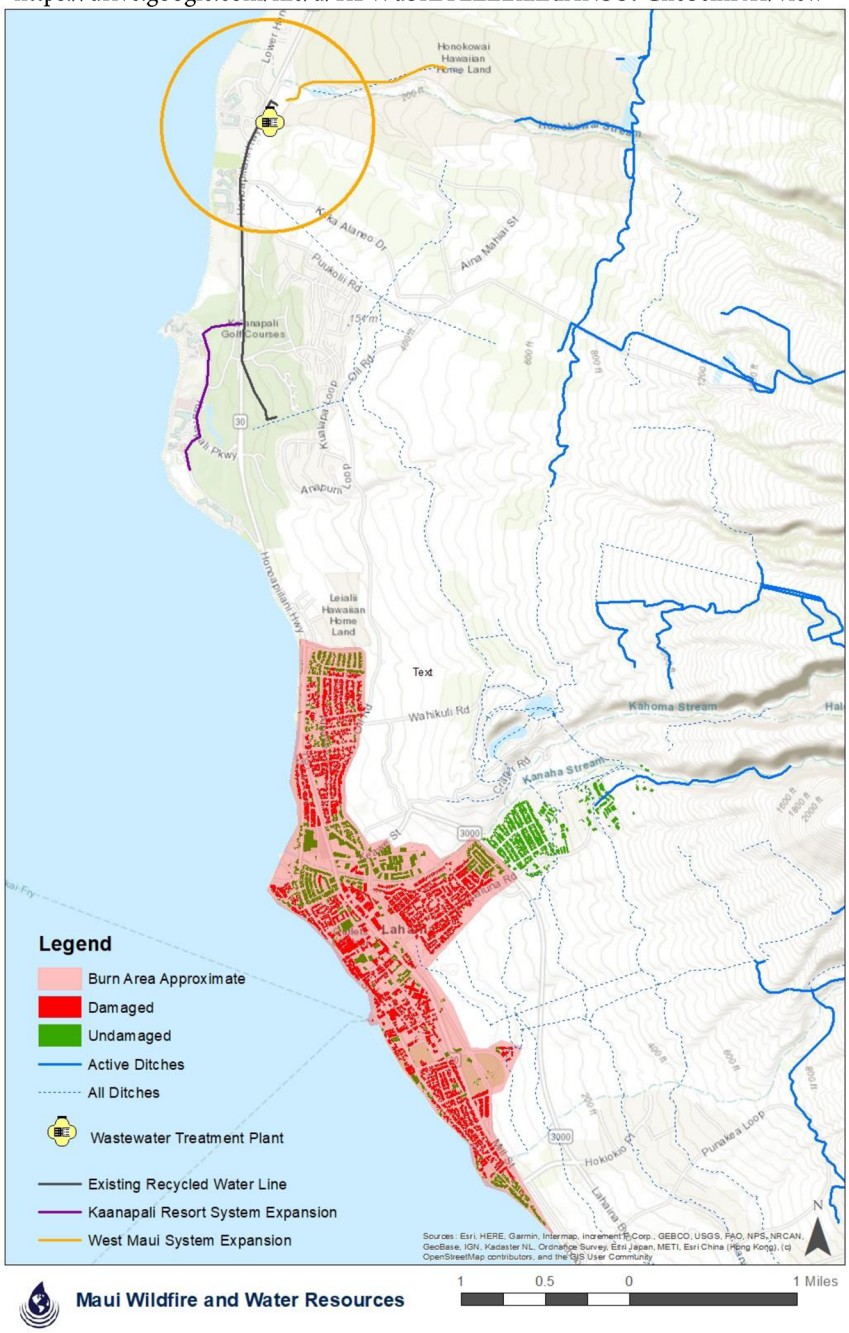
Many see the Hawai'i State Department of Education (DOE) as a singular opportunity to leverage the significant power of institutional purchasing to strengthen the local food market. Hawai'i State legislators agreed, passing a law in 2021 requiring the DOE to provide a minimum of 30% locally sourced foods to Hawai'i's public schools by 2023. The percentage is currently only 6.2%, according to the department's December 2022 Annual Report on Farm to School Meals.

Further incentives from the U.S. Department of Agriculture for schools to "buy local" are a worthy investment of federal dollars in the resilience of local food systems.

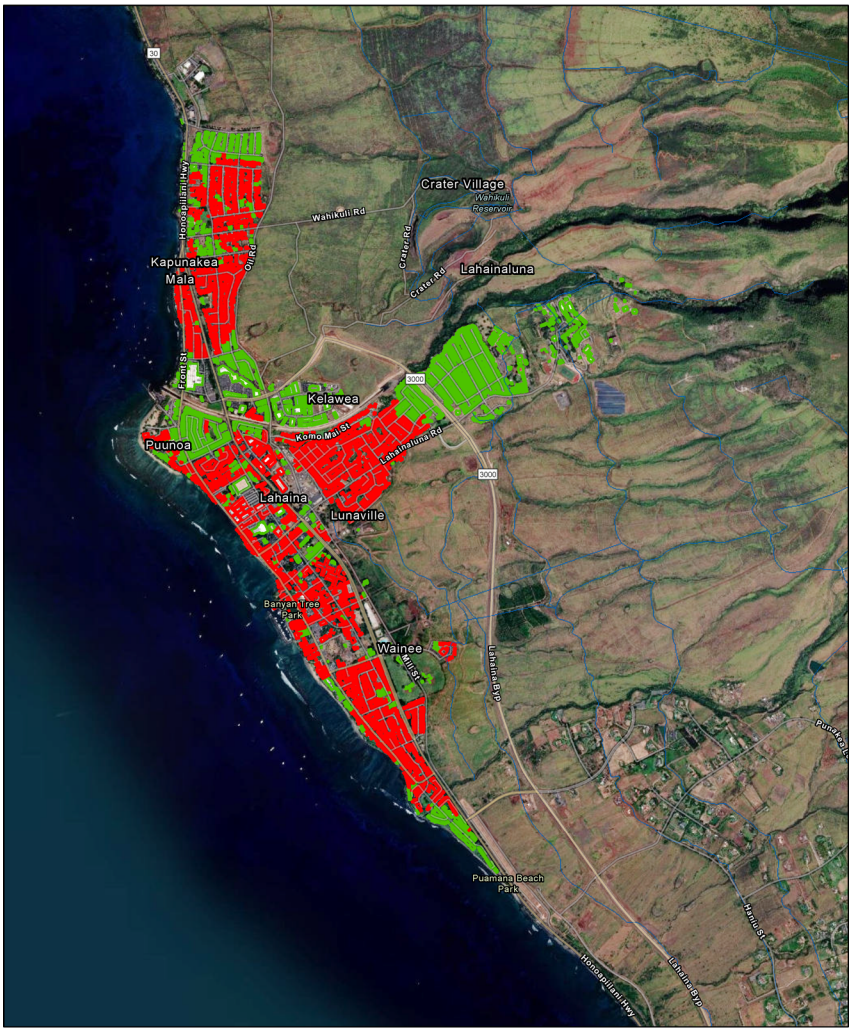
Saying the DOE is effectively Hawai'i's largest restaurant operation is not an exaggeration. From 2016 to 2018, pilot projects at schools on Kaua'i, O'ahu and the island of Hawai'i successfully demonstrated how local food procurement can be successfully expanded and even yield savings. In one semester, the pilot project in Kohala increased locally sourced food content from 2% to 24%, and a Mililani pilot project increased locally sourced food content from 3% to 15%. Also, in just one semester, cafeteria savings in the O'ahu and Hawai'i Island pilots were $108,000 and $31,000, respectively. Based on these numbers, increasing local food in DOE meals to an average of 30% of the Hawai'i DOE's existing food budget would create as much as $14 million in additional demand for local food every year. That's a strong market around which local agricultural producers can build.

Ulupono strongly believes Hawai'i's farm-to-school program, if implemented by the DOE as required by law, can be as impactful to the local food sector in Hawai'i as the 100% renewable energy bill was to state's energy sector. Harnessing the State's purchasing power will help agriculture grow again as a sector in the Islands. Buying locally sourced food will also help future-proof student access to meals, as well as strengthen the local food production market — in a way that few institutions other than government can do because of their sheer size. Farmers and ranchers can expand to meet demand, but they will only do so if they believe the State will follow through. The Hawai'i DOE must be more proactive, versus reactive, in striving to achieve its 30% local food by 2030 goal. As our farmers and ranchers thrive, the quality of land management in fire-prone areas should only improve.

https://drive.google.com/file/d/1fBWdbrEYLEELfixRiANSO9Cn0belhK1I/view



Wildfire and Surface Water Imagery



8/16/2023

Ditches

InferencedBuildingDamage

Damaged

Undamaged

World Imagery

Low Resolution 15m Imagery

High Resolution 60cm Imagery

High Resolution 30cm Imagery

Citations

4.8m Resolution Metadata

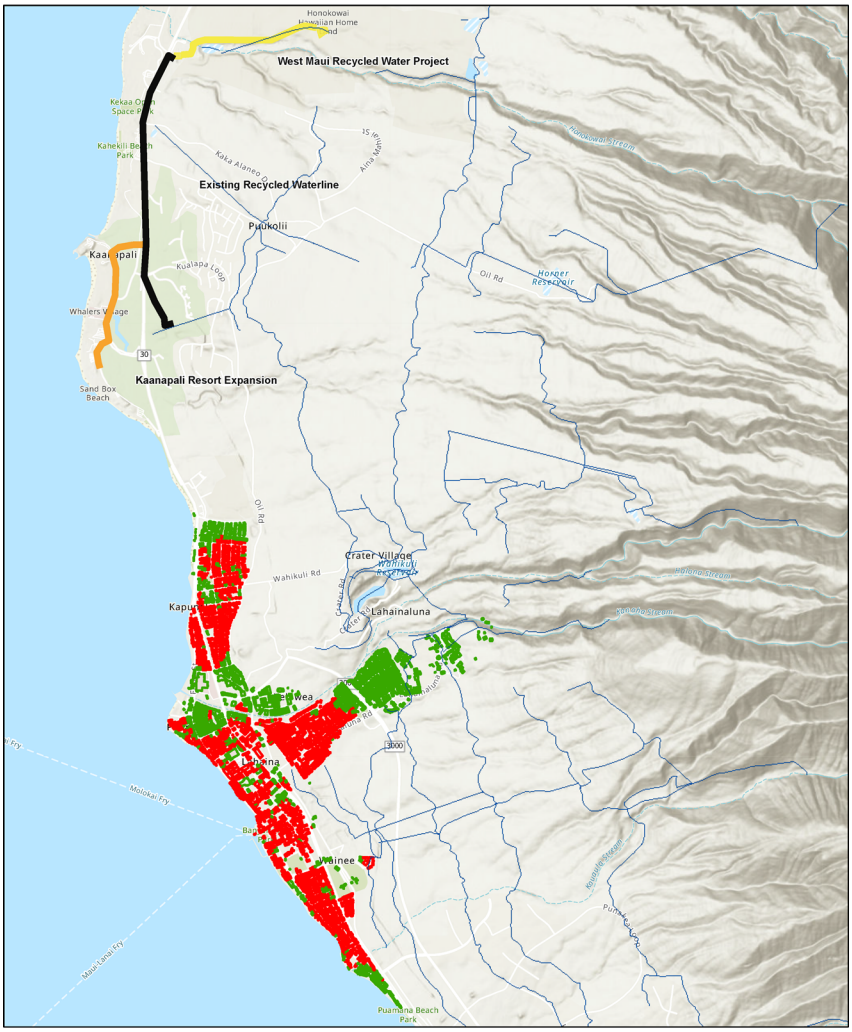
1:22,648

0 0.25 0.5 1 mi

0 0.38 0.75 1.5 km

Resource Mapping Hawaii, Maxar, DISCLAIMER: Information contained in these files is derived from public records that are constantly undergoing change and does not replace a site survey. The data and information are not

Wildfire, Surface Water and Recycled Water



8/16/2023

Ditches

InferencedBuildingDamage

Damaged

Undamaged

World Hillshade

1:34,500

0 0.38 0.75 1.5 mi

0 0.5 1 2 km

Esri, NASA, NGA, USGS, FEMA, DISCLAIMER: Information contained in these files is derived from public records that are constantly undergoing change and does not replace a site survey. The data and information are not

Senate Committee on Small Business and Entrepreneurship Field Hearing
August 18, 2023
Follow-Up Questions for the Record

Questions for Mr. Chris Kanazawa

Questions from: Senator Hirono

With today's field hearing we have an opportunity to discuss how USDA Rural Development programs can be improved to address community needs in times of disaster.

QUESTION 1:

In your view, how can Rural Development programs be improved to address community needs in times of disaster?

Rural Development (RD) can build a community from the ground up and that is what we're going to support in Lahaina and Maui. Having flexible programs and funding that can respond to the needs of the people in our communities is essential.
For example, RD programs, such as the 504 Home Repair program, cannot currently fund repairs on farmers' homes. Making the 504 Home Repair program available to households with income-generated from a farm would make recovery faster and easier for those rural residents affected by the disaster.

QUESTION 2:

What kinds of flexibilities would be needed to improve these programs?

Having flexibility in project eligibility during times of disaster would be helpful in ensuring that RD is able to respond to a community's needs. For example, during recent California wildfires, the population requirement for Rural Development's Community Facilities program was waived to an extent in order for those rural areas to access needed funding to repair and rebuild essential community facilities in the wake of the wildfires. Expanding on that precedent would allow for more comprehensive rural community support and the timely repair and rebuilding of communities.

QUESTION 3:

How can Congress provide these flexibilities?

Many of the flexibilities that could be used during the disaster recovery phase would require new legislation or modifications to current statutes. We look forward to working with your office to find ways to improve program delivery during times of natural disaster.

QUESTION 4:

Longer term, we are looking forward to ensuring our communities are more sustainable and resilient. Hawaii farmers are eager to implement solutions to protect and conserve our natural resources as we build toward these more sustainable and resilient communities.

How can USDA programs be leveraged to help achieve the goal of making our communities more sustainable and resilient?

USDA listened to farmers and rural Americans across the country to design its Inflation Reduction Act programs and as a result, USDA has received overwhelming and record-breaking numbers of high-quality project applications. Thanks to Inflation Reduction Act funding, more farmers and more acres are enrolled in voluntary conservation practices than at any single point in history. More farmers, rural businesses, utilities and electric cooperatives will also be able to reduce their energy costs leaving more dollars in the hands of rural communities.

Through the Powering Affordable Clean Energy Program (PACE), USDA made $1 billion available to fund new clean energy projects and energy storage in rural America though partially forgivable loans. The window closed for PACE Letters of Interest on September 29, and USDA received requests for more than $12 billion through 308 letters of interest.

The Empowering Rural America Program (New ERA) is available to member-owned rural electric cooperatives to help rural Americans benefit from affordable and reliable energy. The overwhelming response from rural electric cooperatives totaled more than two times the $9.7 billion available budget authority for the program.

QUESTIONS 5 & 6:

What programs are available to farmers as we pursue this goal? How can we make these programs more accessible?

Thanks to Inflation Reduction Act funding, more farmers and more acres are enrolled in voluntary conservation practices than at any single point in history, and even with this unprecedented funding, and demand for our programs remains high.. USDA-RD's Rural Energy for America Program (REAP) makes loan guarantees and grant awards to help agricultural producers and rural small business owners make energy efficiency improvements and renewable energy investments to lower energy costs, generate new income, and strengthen the resiliency of their operations. Ensuring this program remains accessible and available to farmers is essential to building resilient agricultural and rural communities.

QUESTIONS 7 & 8:
During the hearing we have discussed how technical assistance may be beneficial to farmers. Could you elaborate? What kinds of technical assistance should we be providing to farmers?

Rural Development is working to increase equitable access to its programs across the board, specifically through the Rural Partners Network. The Rural Partners Network (RPN) is an all-of-government program that helps rural communities find resources and funding to create jobs, build infrastructure, and support long-term economic stability on their own terms. Through the Rural Partners Network, rural people and communities benefit from collaborative partnerships among an association of federal agencies, staff and programs. USDA Rural Development (RD) is leading the Rural Partners Network in collaboration with 20 federal agencies and regional commissions through the Rural Prosperity Interagency Policy Council, co-led by the White House Domestic Policy Council and USDA.

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Written Statement

Ms. Alejandra Castillo

U.S. Assistant Secretary of Commerce for Economic Development
U.S. Economic Development Administration
United States Senate Committee on Small Business & Entrepreneurship
Promoting a Resilient Economy for Hawaii Farm Businesses
August 18, 2023

INTRODUCTION

Senator Hirono, Representative Tokuda, thank you for the opportunity to provide a written statement on the Economic Development Administration's (EDA) programs and initiatives.

EDA leads transformational job creation and industry growth efforts in communities across the nation to foster resilient and competitive regional economies. Guided by the basic principle that sustainable economic development should be locally driven, EDA partners with communities and regions to build capacity based on local conditions and needs. Through its network of regionally based staff and portfolio of flexible grant tools, EDA helps communities take control of their future and position themselves for economic prosperity and resilience.

I am committed to working with you and your constituents to assist you as you recover from the devastating wildfires on Maui as well as achieving your broader regional economic development goals including activities supporting the State's robust agricultural sector. Our collective goal must be to support the competitive, innovative, impactful economic development strategies that our communities are pursuing today, like in Hawaii, to set the course forward to a brighter future.

I look forward to sharing ideas on how we can work together to meet these goals, but first I think it's important to discuss the impact that EDA has had since we were established under the Public Works and Economic Development Act of 1965 (PWEDA) and the type of efforts we can support. I am particularly proud to report on EDA's work over the past two years, leveraging Congress' investments, including the CARES Act and the American Rescue Plan Act, in response to the unique challenges communities have faced.

I want to highlight two of the exceptional applications EDA received from organizations in Hawaii for American Rescue Plan awards. The University of Hawaii received $16.3 million as an awardee of the Good Jobs Challenge. Through the award, the University of Hawaii is supporting four of Hawaii's major industries: healthcare; information technology; energy and resilience; and film, arts, and media. The sectoral partnerships funded by this program will train thousands of workers, with a focus on Native Hawaiian and Pacific Islander communities, to secure quality jobs with local employers including Adventist Health Castle, Bank of Hawaii, and Diagnostic Laboratory Services.

Additionally, the Build Back Better Regional Challenge awarded $500,000 in strategy development funding to The Hawai'i Island coalition, led by Hawaii County, which sought to create a robust agricultural economy that corrects past systemic barriers to growth that are unique to an island market, while also helping the island respond to economic downturns due to the pandemic and natural disasters. The coalition seeks to divert 20 percent of Hawaii's food import market to local producers, creating thousands of new jobs and stimulating the specialty export market. While EDA was not able to fund the phase 2 proposal for this BBBRC coalition, we continue to engage with and support them through the Building Better Regional Community of Practice

I will also note that we are currently implementing the Regional Technology and Innovation Hubs (Tech Hubs) and the Distressed Area Recompete Pilot Program (Recompete) -- two new programs authorized by the CHIPS and Science Act. While the Tech Hubs application closed on August 15th, the Recompete Pilot Program application is open until October 5th.

These grant programs continue to allow us to support underserved communities as they build resilient economies, get Americans back to work in good-paying jobs, and enhance U.S. competitiveness on the global stage.

EDA LEGACY

Since the creation of the agency in 1965, EDA has provided tens of thousands of grants to state and local governments, non-profits, economic development districts (EDDs), economic development organizations, institutions of higher education, Tribal entities, and other organizations to help communities create jobs and generate private investment across the country.

Through PWEDA, EDA provides grants to communities who are distressed or recovering from the decline of major industries such as manufacturing and coal and supports communities that have suffered the impacts of natural disasters, like that in Maui.

EDA provides targeted investments that address a range of economic development needs including research, planning, technical assistance, construction, workforce training, and entrepreneurship projects. Through its economic development assistance programs, EDA helps regions recover from economic setbacks and position themselves for long-term resilience and sustainable economic growth.

- In FY 2023, EDA invested $150,000 in the University Center Economic Development Program at the University of Hawaii Systems. The program provides technical assistance and research and development tools to increase productivity, spur innovation, and promote entrepreneurship to help increase long-term regional competitiveness and economic diversification.

- In FY 2022, EDA invested $1,000,000 through the Public Works program to support Waianae Community Re-Development Corporation in the construction of a new building to house agricultural produce processing and a farmer training facility in Waianae,

Hawaii. Once completed, the project will develop infrastructure to improve economic capacity and assets that make it possible for entrepreneurs and small business enterprises to be more operationally efficient, which will result in new higher paying jobs and additional employment throughout the region.

- In FY 2021, EDA invested $376,811 through the Economic Adjustment Assistance program to support Hawaii Department of Business, Economic Development and Tourism in the development and implementation of a comprehensive economic development strategy (CEDS) for the Pacific region of the Hawaiian Islands of Hawaii, Kauai, Oahu, and Maui, to promote global competitiveness through innovation to meet the needs in the islands and encourage regional partnerships, collaboration, and communication. The CEDS process is designed to bring together the public and private sectors in the creation of an economic development roadmap to diversify and strengthen the regional economy.

- In FY 2021, EDA invested $600,000 through the Economic Adjustment Assistance program to support the Hawaii Technology Development Corporation (HTDC) and their efforts to make the food manufacturing industry in Hawaii more robust and resilient to economic distress. The program provides immersive training to food manufacturing companies through participation in a Hawaii Digital Strategy working group. The working group pulls together industry subject matter expertise and is enhanced by services from contracted local technology, creative, and marketing professionals.

These are great examples of the diverse investments that EDA makes and their broad impact, including in areas of agricultural and entrepreneurship. They are also great examples of EDA's commitment to ensuring that our communities have the resources they need to grow and thrive.

DISASTER RECOVERY AND RESILIENCE EFFORTS

Over the last several years, EDA has been called on time and time again to support communities experiencing economic shocks, including those caused by transitioning economies, natural disasters, and the pandemic.

EDA serves as the lead federal agency for the Economic Recovery Support Function (ERSF) on behalf of the Department of Commerce, and in coordination with the Federal Emergency Management Agency (FEMA) under the National Disaster Recovery Framework (NDRF). In this role, EDA helps coordinate the provision of federal assistance for places recovering from the economic impacts of major disaster incidents. Upon receipt of an ERSF Mission Assignment from FEMA, EDA deploys one of its staff to serve as the ERSF Field Coordinator (FC). The FC and the interagency ERSF team first conduct a Recovery Needs Assessment to establish a baseline estimate of the various economic impacts resulting from the disaster. The Recovery Needs Assessment is then used to create the next ERSF deliverable, which is a Recovery Support Strategy, or RSS. The RSS 1) identifies the appropriate federal, state, local, and non-governmental entities best equipped to support each strategy; 2) places a timeline on outreach and other forms of engagement such as stakeholder meetings, technical assistance, webinars, etc.; and 3) determines the timing of approach to steady state support.

Proudly, EDA has consistently demonstrated its nimbleness and responsiveness through many local, regional, and national crises by supporting place-based capacity and leveraging local and regional assets and opportunities.

EDA has improved its business practices to be more responsive to its customers, launched new evaluation tools and economic models, and, over the past four years, has grown exponentially in size and budget.

An island economy is particularly fragile during a natural disaster. A strong local food economy that enhances growers, production, storage, and distribution cannot just sustain local economies but is also a lifeline for survival. Should a disaster destroy or disrupt air transportation, food cannot be flown in. Maritime support of supplies can take a minimum of 5 days assuming ships are ready and available on the west coast. Through EDA's Economic

Development Integration business practice which includes Disaster Coordination, EDA has consistently worked with multiple partners, federal, state, institutions, local organizations, and farms to address the needed strengths of network support to sustain and recover from disasters.

A critical component of disaster response and resiliency planning is ensuring that the whole food system, from production to distribution, can recover and return to normal operations. To improve awareness and nurture the collaboration of key stakeholders, several of our peer Federal agencies, including USDA Rural Development, USDA Farm Service Agency, Small Business Administration, and Housing & Urban Development, partnered to explore the issues around food availability, food access and food infrastructure as the main determinants for food system resilience. As a result, the building of that network and access to resources is stronger today, enhancing coordination and multiple resource support prior, during and post disaster.

An example of EDA's disaster recovery support in Hawaii includes a $656,000 investment awarded under the 2019 Disaster Supplemental Notice of Funding Opportunity to the Natural Energy Lab of Hawaii. This grant was invested in the pilot HATCH aquaculture accelerator program to develop a medium to long-term program to incubate additional aquaculture startups as well as host ideation and company building workshops in Hawaii County, Hawaii. The project will assist with recovery efforts from the Puna East Rift Zone lava eruption, which destroyed four acres of NELHA property and the subsequent effect of the COVID-19 pandemic. Once completed, the project will drive economic diversification, provide growth and jobs in the aquaculture sector, attract private investment, and advance economic resilience throughout the region.

ENSURING EFFECTIVENESS FOR THE FUTURE

While I am proud of EDA's success in creatively implementing its programs, our rapid growth in recent years and the ever-shifting economic development landscape means we must

constantly reassess how we meet the challenges of the future. We are committed to ensuring the agency evolves to best serve American communities.

We are committed to working with this Congress to reauthorize EDA and ensure that the updates to PWEDA will meet our shared vision of better serving communities here in Hawaii and across the nation to increase U.S. resilience, competitiveness, and security.

As we continue to assess how best to position EDA for future success, we look forward to working closely with our stakeholders, other federal agencies, and Congress.

CONCLUSION

Senator Hirono, thank you for hosting this field hearing and inviting EDA to provide this statement.

As I've pledged, I am committed to ensuring that EDA is running on all cylinders so that we are best able to meet the needs of our communities while remaining nimble and responsive as we grow. This level of responsiveness has become even more critical with the increase in frequency of natural disasters in and around the Pacific. For current and ongoing major disasters, EDA will work with federal partners, including FEMA, to help lead economic recovery support functions and assess immediate and long-term economic development needs. In addition, EDA will continue to explore potential opportunities to implement tools focused on supporting efforts to leverage and align federal, state, and local projects through Regional Economic Development Summits (REDS). REDS can be used as a supplementary technical assistance support tool with the goal of identifying capital resources, determining next steps for project implementation action plans, building coalitions, and resolving conflicts that prevent the community or region from realizing full economic growth. Furthermore, EDA has 3 active Economic Adjustment Assistance Revolving Loan Funds in Hawaii that offer service to businesses that cannot otherwise obtain traditional bank financing. These loans provide access to capital as gap financing to enable small businesses to grow and generate new employment opportunities with competitive wages and benefits. This financing also helps retain jobs that might otherwise be

lost, create wealth, and support minority and women-owned businesses. Lastly, EDA will use available appropriations to continue to support local communities impacted by natural disasters in calendar year 2023.

Our accomplishments reflect our commitment to encourage collaborative regional economic development, promote innovation, cultivate entrepreneurship, build a well-qualified workforce, and position our economic development partners to be more resilient, agile, and competitive in the global marketplace.

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