



G. Stephen Holesky  
Plantation General Manager

Agriculture Under Secretary Thomas Dorr  
Deputy Under Secretary Merlyn Carlson

We apologize for not being able to attend this listening session and thank you for this opportunity to provide input toward the 2007 Farm Bill. We strongly urge that a no-cost U.S. sugar policy be retained in the next Farm Bill.

HC&S is one of the two remaining sugarcane companies in Hawaii. We regard ourselves as sugarcane companies rather than sugar companies. This distinction is significant as we view ourselves as producing multiple products from our crop – not just sugar.

The inclusion of a Sugar Policy in the 2007 Farm Bill is necessary for our long term viability. As we pursue expanding our revenue base and minimize our dependence on commodity sugar for income, the reality is, the process takes time. Much of the technology has not yet been developed that will result in a profitable business future. For example, we are currently undergoing the final stages of planning a molasses to ethanol venture. The process is well known. However, in Hawaii, a major issue is what to do with the vinasse or wastewater from the process. In ethanol plants in the Midwest as well as plants in India, the evaporation to livestock feed is a common practice. The size of our plant (large for Hawaii but small to the rest of the world) makes this process energy intensive resulting in a possible negative business decision. Areas such as Brazil use land application. U.S. EPA and our local Department of Health rules will make that practice cost prohibitive. It should also be noted that it takes a minimum of 38 months between a decision to construct to the obtaining of all permits to make the venture a reality.

We are seeking other alternatives but it will take much more time and resources. It is critical that there be a Sugar Program within the new Farm Bill that will provide support to our industry through the transition. Otherwise, just as has occurred at other locations within our State, our farm will not be able to sustain itself until the change occurs. It is unfortunate that as the nation moves towards the production of renewable energy, we see Hawaii's renewable energy production fall. In the 1980's some rural areas in Hawaii had over 60% of their electrical production from renewable resources, specifically sugarcane bagasse. Today, those communities are totally dependent on fossil fuel as the sugar companies have gone out of existence. Our company originally supplied all of the community's electricity using biomass fuels but as needs expanded, we currently provide 7% of the islands' electricity in addition to our own internal requirements – all using residues from our sugar operations. We expect to expand this capacity. Brazil has shown that reduced national dependence on imported fossil fuel is possible by using sugarcane as a feedstock for transportation fuels. But the Brazilian technologies are not directly transferable given U.S. laws. As such, we must find the means that fit our location, so time and resources are needed. Due to the age of our facilities, the level of tax credits afforded us for

open loop biomass renewable energy production under Sec. 45 is reduced to 1.5%. Additionally it has a sunset date in 2007. We strongly urge consideration of extending the sunset and increasing the rate back to 3% for those who will reinvest the monies into expanding their renewable energy capabilities. The purpose of the program should be to encourage expansion and not penalize those whose facilities predate the nation's awareness in the benefits of renewable energy. **Funding to provide for renewable energy development appropriate to the Southern United States and Hawaii is critical for inclusion in the Farm Bill.** We also urge greater levels of collaborative initiatives between the USDA and DOE on renewable energy issues.

The 2002 Farm Bill included provisions that required a study to determine impacts, especially in the area of transportation and irrigation, to Geographically Disadvantaged Farmers and Ranchers. The findings have been reported and implementation programs in response to the study are needed. Our remote location limits our transportation options to get our goods to market or to import our agricultural inputs yet we are paid the same (or less in the Sugar Policy), thereby making us less competitive in the marketplace. In the area of irrigation, support available to the arid Western States is denied us, despite Hawaii and Alaska's position in the Western United States. Parity in programs addressing United States Agriculture is needed.

Increased globalization means not only movement of goods but movement of pests. In the past decades, our farm has experienced millions of dollars in economic loss due to invasive species introduced into the islands. APHIS programs that protect our borders and respond in a timely manner to facilitate eradication of new pests upon introduction are needed.

The USDA-NRCS has programs that are important to help conserve soils and maintain water quality in our oceans and streams. We urge science based research to guide the development of water quality standards and increased collaboration between federal and local authorities in establishment of standards and implementation of programs. The current AGI associated with Conservation programs makes us ineligible for assistance. We are part of a large publicly owned company. Every acre of legitimate farmland should be eligible without regard to the total adjusted gross income. High adjusted gross income numbers do not necessarily translate to highly lucrative farm operations. Incentives should be available to all legitimate farmers – the question asked should not be how much money is the farm making but rather whether the land involved for assistance under this agricultural program is really farming.

We appreciate this opportunity to provide input into this important process. Inclusion of the Sugar Policy in this Bill and associated programs that will facilitate biofuel development using sugarcrops is primary to keep our farm in business. Without a farming business as our primary goal, we will have open space but not agriculture.

Sincerely yours,



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Agriculture Under Secretary Thomas Dorr  
Deputy Under Secretary Meryn Carlson

Thank you for this opportunity to provide input toward the 2007 Farm Bill. I apologize for not being able to attend this meeting. My name is Warren Watanabe, President of the Maui County Farm Bureau.

Water is a primary need of agriculture. Farmers are also necessary for lands to be called agricultural lands. The second question of this list speaks to unintended consequences. In many areas, national policy appears to assume that there has been enough basic water source development and that what is needed is conservation and reuse. It is not so in all areas. Here in Hawaii, source development is needed to ensure our farmers of adequate and reasonably priced water to pursue a future in agriculture. Measures such as PL566 for small watersheds were the very projects that have been the only avenue for many such projects. We strongly urge that programs similar to PL566 be continued for situation such as ours to provide this basic resource for our farmers.

We support the initiatives to protect farmlands using processes such as the Purchase of Development Rights. However, such programs must occur parallel to programs that address long term viability for the farmer. Financial assistance from the sale of development rights may help the current generation but as times change and the farm faces difficulties the second time around, will there be assistance available? Programs that address long term farm viability by ensuring that the actual farm business stays strong is critical. Therefore, as funding allocations for Farmland Preservation are determined it must be balanced with programs that actually assist the farmers on a long term.

There is no doubt that good farming operations result from good conservation and environmental goals. However, there are instances in which conservation and environmental goals are achieved at the expense of agriculture. There are instances when this is necessary. However, we feel that this should be done through other means than by those under the jurisdiction of the Department of Agriculture. Resources allocated to the agricultural sector is miniscule compared to that allocated to other agencies. As such, it is important that the Agency stay focused to those that will bring about greater prosperity to the agricultural industry in the United States. While agriculture is open space, not all open space is agriculture. This is important to remember in drafting Federal rural and farm programs.

We appreciate this opportunity to provide comments into this process. We strongly urge that USDA recognize the need for agriculture to be strong in all areas of the country and

that the delivery mechanisms will differ by program as our needs are different. Every program does not need to be allocated in the same way.

Respectfully submitted,

Warren Watanabe  
President  
Maui County Farm Bureau