

REVIEW OF AGRICULTURAL CONSERVATION

HEARING

BEFORE THE

SUBCOMMITTEE ON CONSERVATION, CREDIT,
RURAL DEVELOPMENT, AND RESEARCH

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

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[EDITOR'S NOTE: Because of technical difficulties, there are instances throughout the hearing in which a speaker's words were inaudible. Every effort was made to reconstruct any omission. However, in many cases this was not possible.]

REVIEW OF AGRICULTURAL CONSERVATION

THURSDAY, APRIL 8, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION, CREDIT,
RURAL DEVELOPMENT, AND RESEARCH,
COMMITTEE ON AGRICULTURE,
Hilo, HI

The subcommittee met, pursuant to call, at 9:32 a.m., at the University of Hawaii, Komohana Agriculture Complex, Hilo, HI, Hon. Frank D. Lucas (chairman of the subcommittee) presiding.

Present: Representative Case.

Staff present: Ryan Weston, subcommittee staff director; Claire Folbre and Anne Simmons.

OPENING STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. LUCAS. The meeting of the Subcommittee on Conservation, Credit, Research, and Rural Development is called to order. This is a field hearing to review agricultural conservation programs.

Aloha, good morning, and thank you for attending the subcommittee's second field hearing this spring. We are happy to be here at the University of Hawaii's Komohana Agriculture Complex.

A few weeks ago, we were in Athens, GA, discussing agricultural research with Congressman Max Burns. Congressman Case's invitation to come to Hilo and review agricultural conservation programs affords us the opportunity to see how an 80 percent increase in conservation spending is benefiting agricultural producers here in Hawaii. You learn in Washington that sometimes it is much easier to find out how programs are working if you leave the Beltway and actually get out to where the programs are being implemented. I want to thank Congressman Case for hosting us today.

Hawaii has a long and diverse history of agricultural production. The fact that fruits, rice, hogs, cattle, nuts, coffee beans, sugarcane, forestry products, flowers and nursery products either are or have been major agricultural products shows just a small glimpse of how necessary conservation programs are to give producers the tools to grow crops in an environmentally sound manner.

Captain Cook brought the first hogs to Hawaii in 1778, and the Sandalwood trade started in 1790, which demonstrates that native and non-native products were already beginning to coexist in the late 18th century. As time passed and new non-native species were introduced, the increase in farmed acreage increased dramatically.

It's interesting that Hawaii was one of the first states to realize how important it was to balance agricultural production with sound research and conservation. Hawaii created its Board of Agriculture and Forestry in 1905, and the University of Hawaii started its own State funded extension service in 1919, which happens to be 9 years before Congress created the Federal extension system.

I'd also like to note that there are numerous climatic differences here in the islands. Here, on the Big Island, we're currently on the wet side of the island. And I would note that in Oklahoma, it rains only 24 inches a year. It is amazing here. And yes, I'm still looking for that wet side in my part of Oklahoma. I'm almost certain that my home State is more like the dry side of the island. These differences in climate combined with the numerous crops and volcanic soil types make Hawaii quite unique among the other states and probably require different types of conservation practices than what I am used to seeing.

I hope to learn a little bit more about what is needed in Hawaii so that I can better understand your needs during the next farm bill, which, I might add, is only 2 or 3 years away from being written.

The last farm bill greatly increased our conservation funding. In fiscal year 2003, Hawaii received 37 EQIP contracts worth \$2,110,236, but there were still many contracts left unfunded. I believe that Mr. Yamamoto will enlighten us as to how the new funds are helping Hawaii increase participation in all of the farm bill conservation programs.

In fiscal year 2003, my home State of Oklahoma had 10,938 EQIP contracts worth \$122 million that were not able to be funded.

While 2004 funding levels have helped offset that backlog further, we must be diligent and showcase how important these new funds have been to producers. I know that interest in conservation programs is growing in Hawaii, and we want the programs to be able to work for Hawaii's producers.

I look forward to today's testimony, and we will hear from those in charge of implementing the programs and those who are using the programs.

I'd like to turn to Congressman Case for his opening statement. Mr. CASE. Thank you very much, Mr. Chairman.

OPENING STATEMENT OF HON. ED CASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. CASE. To everybody here, good morning and a very fond aloha. It's great to be home. I think most of you know, if not all of you at this point, that I'm back in my hometown; and for me, the opportunity to participate with the U.S. House Committee on Agriculture back on my own soil has me having a little bit of chicken skin, to be honest with you. So, I appreciate your spending the time with us here today.

I want to talk to you just a little bit. Now, you have my opening statement. We have copies in the back. I don't want to read it all, but I do very much ask each of you to take a copy of that. And for a good overview of what I'm hoping to get out of this hearing, I want to tell you a few things.

First of all, I want to tell you a little bit about my colleague, Frank Lucas, just so that you know who's sitting here running the show. Frank is a fifth generation Oklahoman. If you look on a map of our country, you see Oklahoma right in the middle of it. If you look at the west side of Oklahoma, that's all of Frank's third district. It's a district that takes up—I think the figure's almost half of Oklahoma itself. Oklahoma has five members of the U.S. House.

So, he's a little bit like me. He's got a big, wide-open district with a lot of room to travel. He's got the same problems I do, frankly, getting home on the weekends. He's got to get to Oklahoma, and he's got to get home.

His family is the fifth generation in the ranching and farming community. Frank was born in Cheyenne, Oklahoma, where he still lives with his wife and his three kids. He is a farmer. He is a rancher. He owns a family farm and ranch. As a matter of fact, yesterday, the way Frank started his day—he ended up in Honolulu, but the way he started was that he was driving down his driveway. And he tells me that he looked out, and there was a calf being given birth to but stuck, frankly. And so, he got out of the car and helped deliver the calf, washed his hands, and got back in the car and continued on to Hawaii.

So, this is a guy that is not a Beltway guy. The thing I want to tell you, he's out here because he wants to know what's happening out in the communities. He's going to celebrate his 10th anniversary in Congress; and he serves on three committees in Congress, one of them the Agriculture Committee, and here on this subcommittee.

Another one that I've been talking to him about as well is the Science Committee. We've been talking a lot about astronomy and about some of the scientific endeavors, not to mention agricultural science. This is a guy that I'm really happy to host out here.

I'm just going to give you two little things from his district that caught my eye as I looked through it. First of all, the median value for owner-occupied houses in the third district of Oklahoma is \$59,000. Here, it's about \$350,000. Maybe not on this island. And interestingly, in Oklahoma, in Frank's district, the population includes almost 10 percent of Native Americans.

So, there are some very common similarities to some of the—we were talking on the plane over about some of the common issues that we have in terms of doing the right thing by the indigenous peoples of our country.

As Frank has noted, just in overview, we have a very long and lustrous history for agriculture in Hawaii. Going back, really, precontact I think we all know that the Native Hawaiians operated one of the most productive and efficient systems of agriculture in the entire world, noted as recently as a couple of years ago, in that great book "Guns, Germs & Steel." It calculated that it had one of the highest populations on subsistence agriculture per acre anywhere in the world at the time. Of course, the reason for that was good, solid agricultural practices as well as conservation practices, sustainable yields, proper rotations.

We went into the period of 1800 and 1900 with sugar and pineapple. And we have obviously seen a cutback in sugar and pineapple, but we're not in demise, as we all know, and we need to find

different ways to keep our growing crops going. On this island, we all know that diversified agriculture really holds the future of agriculture as well as possibly sugar for other purposes or new products, like energy, as an example, really, of the next generation of agriculture and to what large scale agriculture might go into is energy, really, rather than anything else.

And we have many of the challenges that the rest of the country has, but we also have some very specific challenges right here in the conservation area. We clearly note that our farms and ranches are threatened by development, by overdevelopment, by competing uses. This is one of the major efforts that the Federal conservation programs seek to do, to provide farmers and ranchers with incentives and other programs to stay in agriculture. We know that that's an issue here as well as throughout our islands. I'm really happy that JoAnn Yukimura is here, home from Kauai, to talk to us about that microcosm and what's happening here.

We know that we need conservation programs to control and address invasive species. I hope to hear from the witnesses along those lines. We will hear from the witnesses, and then the farm bill conservation programs.

By the way, in Chairman Lucas you have the author of those programs here; so this is somebody that was there at the inception, in the bowels of the U.S. Congress as those conservation programs were put together. And he introduced, actually, the bill. It was toward the end of the farm bill. I think many people regarded it as revolutionary. And the purpose of coming here is to see, how it's working? What do we need to fix it? So, this is a little bit of a gut check on what's happening out beyond the Beltway in those areas.

We have some very specific issues that we want to address here in Hawaii, from the existing programs and how they're working to programs that are designed to control runoff and protect our coral reefs. We flew over Molokai. I pointed it out to Frank. Molokai is pretty dry today, so we didn't have those plumes coming out of the ocean. You certainly could see the reefs and certainly see the coral.

And then, we have some very specific issues that I hope to take back with Frank to Congress, like the adjusted gross income limitation for use of the conservation programs, which effectively is preventing many of our large landowners from participating in the programs. And I think that that's simply either an oversight or something that we need to kind of work our way through.

We want to publicly thank Governor Lingle for sending representatives of her cabinet here to spend some time with us.

So, we have a full agenda this morning. It's time for me to stop talking, and it's time for you to start saying what you think. Thank you very much for being here.

[The prepared statement of Mr. Case follows:]

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Opening Statement of Congressman Ed Case (Hawaii, Second)

**U.S. House of Representatives Committee on Agriculture
Subcommittee on Conservation, Credit, Rural Development, and Research
Field Hearing to Review Agricultural Conservation Programs
University of Hawai'i Komohana Agriculture Complex
875 Komohana Street, Hilo, Hawai'i**

**Thursday, April 8, 2004
9:30 am**

Chair Lucas and fellow members of the Subcommittee:

Aloha, and welcome to our beautiful and proud Fiftieth State and to my hometown of Hilo!

First and foremost, to both you and our full House Agriculture Committee Chair, Bob Goodlatte, mahalo nui loa (thank you very much) for bringing our Subcommittee here to understand and evaluate the conservation challenges and opportunities facing Hawaii agriculture, in both our uniqueness and our status as a microcosm for agriculture throughout our country. We have both many needs and much to offer, and I want to provide the Subcommittee with an overview of the issues I look forward to being addressed in today's hearing.

Overview. Hawaii agriculture, inclusive of ranching, has a long and productive history and, with proper attention and focus, a bright future. The indigenous peoples of these islands, the Native Hawaiians, developed one of the most productive and efficient agriculture-based societies of the entire old world. They did not have the option of moving on when one production area was depleted, and so they became heavily reliant on, and in fact perfected, such basic conservation principles as crop rotation and sustainable water and land use.

The post-contact period after 1778 saw the introduction of cattle and other livestock to the islands, giving rise to the large ranches such as Parker Ranch on this island and Ulupalakua Ranch on Maui that survive to the present. And the 1800s and the next century saw the rise of sugar, the largest scale crop in Hawaii's history, and pineapple,

the second largest, and an associated centralization of land ownership that also survives to the present.

Recent decades have seen a major transition in Hawaii agriculture. The demise of outright price supports for sugar and other factors ended production on all but two islands. Increased foreign competition and other factors lead to a reduction of canned pineapple production. Ranches faced increasing costs in transportation, processing and other factors. And all Hawaii agriculture has faced increased competing land use demands from widespread urbanization.

Yet this transition has also produced opportunities. Overall, while we previously took agriculture for granted, there today the recognition that we must work collectively to preserve and enhance it. Our state legislature is today debating how to give effect to our state constitutional mandate that we preserve our prime agricultural lands. Sugar, once counted out altogether, remains a vital part of the economies of the Islands of Maui and Kauai, and is moving toward what I believe can be its next reincarnation as a prime producer of ethanol and related energy products. Pine, similarly written off, has moved with force into a fresh specialty crop niche. Ranching has operated much more effectively in advocating its needs collectively. And diversified specialty crops ranging from coffee to papaya and cut flowers and many more have seen the most rapid overall growth of any segment of Hawaii agriculture over the last decade or so.

Yet the overall future of Hawaii agriculture remains tied to what our federal government does and doesn't do in both overall agricultural programs and those directed at or with disproportionate impact on Hawaii. Overall agricultural support and quota programs can make the difference between survival and failure, as can the specific terms and conditions of free trade agreements with specific countries. Federal efforts, or the lack thereof, at controlling invasive species directly affect Hawaii agriculture's ability to produce and to maintain high quality standards for which Hawaii is known. And federal transportation restrictions such as the Jones Act can and do effectively prevent Hawaii agriculture from getting its product to mainland markets timely and affordably. (This has been a particular problem for Hawaii ranching.)

Federal agricultural conservation programs are crucial to our overall efforts to preserve and enhance Hawaii agriculture. The first category of such efforts is our basic natural resources conservation programs. The second are those programs targeted at incentivizing farmers and ranchers to retain their lands in productive agricultural use rather than convert to urban uses. The third are those targeting invasive threats to productive farm and ranchland use. Our great panel of witnesses will express better than me what is and isn't working with these programs.

Specific issues: For my part, I want to highlight a few issues for our mutual consideration as we move into our hearing:

1. Hawaii share of overall federal agriculture funding and federal conservation programs specifically. One of my primary objectives in seeking membership

on the House Agriculture Committee was to address why Hawai'i has received such a miniscule share of overall agricultural assistance from the federal government in comparison with other states. I append for the record a chart illustrating this point. Of the 50 states, Hawai'i comes in dead last in government support per dollar of agricultural production. Whereas North Dakota received an annual average of 17 cents per dollar of agricultural production over the period 1992-2002, Hawai'i received less than half a cent. The value of Hawai'i's agricultural production is 11 times that of Alaska, but Alaska received almost 3.5 cents per dollar of production over this period. This must be addressed.

On conservation programs specifically, last June 4th, our Subcommittee held a hearing on the Conservation Title of the Farm Bill. At that hearing, I expressed concern that Hawai'i was getting such a small allocation for Farm Bill conservation programs: approximately \$3.9 million for our initial allocation in FY2003. (This amount was subsequently increased to \$4.6 million.)

I am grateful that the Agriculture Committee in formulating the 2002 Farm Bill included a regional equity provision to ensure that states like Hawai'i receive a minimum of \$12 million for conservation programs, not including the Conservation Reserve Program, the Wetlands Reserve Program, and the Conservation Security Program. Based on this provision, I am very pleased to see that Hawai'i's allocation was almost tripled in FY2004, for a total of \$12.9 million.

2. Invasives/preservation. Hawai'i is home to the great majority of the nation's endangered species, and we are especially susceptible to invasive plants, animals, and insects due to our year-round growing season, lack of predators, and inability to adequately control imports. As I am sure we will hear from our witnesses today, Farm Bill conservation programs have allowed ranchers and farmers in Hawai'i to protect streams and rivers, reduce soil erosion, and improve habitat for threatened and endangered native species.

I am encouraged by the growing response to and interest in these programs in Hawai'i. I know that this is due in large part to the leadership of our State Conservationist Larry Yamamoto and the work of his dedicated staff.

Some programs, like the new Grassland Reserve Program, which you, Chair Lucas, authored, are so popular that we could not fund the great majority of applications received: only five contracts out of 34 applications were signed. The \$7.5 million GRP backlog from FY2003 will just barely be dented by the \$1.3 million we received for the program in FY2004. I hope that the USDA will make additional funds available for Hawai'i under this program in future years.

I am also looking forward to learning of innovative uses of these programs in Hawai'i. I would be interested in knowing how much discretion we have in using Environmental Quality Incentives Program (EQIP) funds for invasive species control. For instance, could commercial plant nurseries use EQIP funding to control or eradicate the Caribbean tree frog (coqui) that poses such a serious threat not only to the ability of these growers to market their product but to Hawai'i's ecosystem as a whole.

This year is the first time Hawai'i has received an allocation under the Farmland and Ranchland Protection Program. I know from my meetings with government leaders in the counties and state that preserving agricultural land from development is a major concern. I am hopeful that this program will allow us to move forward in this area.

2. Conservation Reserve Enhancement Program. We will hear that the State is working on finalizing a Conservation Reserve Enhancement Program (CREP) and associated Coordinated Conservation Plan for submission to the U.S. Department of Agriculture. The Hawai'i CREP focuses on assisting farmers and ranchers in high priority watersheds in Hawai'i with a large agricultural base and that drain into marine areas that support significant and imperiled coral reefs. The program is designed to enroll 30,000 acres of cropland and marginal pastureland in the program in 15-year CRP contracts. By assisting in controlling erosion and restoring riparian areas with native species, the plan would have a significant positive impact on coral reefs, endangered species, and water quality. I look forward to hearing from our witnesses today who are representing the State Departments of Land and Natural Resources and Agriculture as to the progress of this plan.

I am excited about the potential of this proposed CREP plan to help prevent soil runoff into the ocean, which has been a serious problem on many of our islands and has caused extensive damage to valuable coral reef ecosystems and the marine life on which they depend. Hawai'i is home to some 80 percent of coral reefs in U.S. waters, and the reefs surrounding the main Hawaiian islands have suffered degradation due to soil runoff and invasive species. Hawai'i badly needs the level of assistance this Conservation Reserve Enhancement Program could bring.

4. Adjusted gross income limitation. Finally, I want to address the Adjusted Gross Income (AGI) issue, which is a major impediment to fully realizing the potential of Farm Bill conservation programs in Hawai'i. AGI restrictions serve to effectively eliminate some 80 percent of agricultural lands from participation in conservation programs. Some 25 landowners own 50 percent of the private land in Hawai'i and a mere 150 landowners own 80 percent of the land. Many of the landholdings reflect the traditional Hawaiian *ahupua'a* land parcels, which run from the mountain to the sea. Therefore, a landowner may have a marginally profitable agricultural operation on a portion of his or

her land, but may have a profitable hotel or commercial operation on coastal lands.

The AGI provision bars nearly all of the land owned by large landowners from participating in federal conservation programs despite the fact that agricultural operations in Hawai'i are under financial stress. Keeping this land in agriculture is a high priority to the people of Hawai'i who treasure the rural character of our state. Providing incentives for large landowners to participate in conservation programs makes sense in Hawai'i where many endangered species are very localized. At the very least, we should have the option to have our State Conservationist waive the AGI limitation in cases where including large landowner would provide significant benefits to endangered species or coral reef ecosystems. Given Hawai'i's position as the endangered species capital of the world, it is more important that we be able to use conservation programs as an incentive for all farmers and ranchers to practice conservation rather than as a tool to augment the incomes of smaller ranchers and farmers.

Thank you again, Chair Lucas, and our subcommittee staff, and our witnesses and audience, for being here today. I look forward to a very productive hearing, and to our mutual effort toward strengthening our conservation programs and agriculture overall not only in Hawaii but throughout our great country.

Aloha!

HAWAII RANKS LAST IN GOVERNMENT SUPPORT PER DOLLAR OF AGRICULTURAL PRODUCTION

Rank	State	Annual Averages 1992 - 2002			Payments per Dollar of Production
		Government Payments (thousands of dollars)	Value of Production (thousands of dollars)		
1	North Dakota	\$596,086	\$3,412,690		\$0.17
2	Montana	\$330,209	\$2,097,898		\$0.16
3	Louisiana	\$287,039	\$2,177,817		\$0.13
4	Illinois	\$933,433	\$8,591,471		\$0.11
5	South Dakota	\$431,924	\$3,984,506		\$0.11
6	Iowa	\$1,170,318	\$11,989,471		\$0.10
7	Arkansas	\$536,872	\$5,591,469		\$0.10
8	Minnesota	\$775,539	\$8,299,765		\$0.09
9	Kansas	\$762,281	\$8,558,999		\$0.09
10	Mississippi	\$304,074	\$3,486,753		\$0.09
11	Missouri	\$461,025	\$5,293,741		\$0.09
12	Indiana	\$453,689	\$5,485,510		\$0.08
13	Texas	\$1,163,846	\$14,831,125		\$0.08
14	Nebraska	\$763,645	\$9,772,609		\$0.08
15	Oklahoma	\$305,854	\$4,344,440		\$0.07
16	Ohio	\$333,633	\$5,367,302		\$0.06
17	Michigan	\$218,385	\$3,882,886		\$0.06
18	Tennessee	\$144,466	\$2,636,129		\$0.05
19	Colorado	\$240,332	\$4,789,498		\$0.05
20	South Carolina	\$80,473	\$1,651,648		\$0.05
21	Wisconsin	\$303,610	\$6,360,988		\$0.05
22	Georgia	\$258,103	\$5,661,122		\$0.05
23	Idaho	\$161,961	\$3,640,922		\$0.04
24	Kentucky	\$154,650	\$4,029,523		\$0.04

25	Washington	\$214,911	\$5,742,123		\$0.04
26	Wyoming	\$36,104	\$980,947		\$0.04
27	Alabama	\$134,678	\$3,734,882		\$0.04
28	Alaska	\$1,651	\$47,649		\$0.03
29	New Mexico	\$68,207	\$1,969,957		\$0.03
30	Arizona	\$76,075	\$2,460,860		\$0.03
31	Utah	\$31,689	\$1,095,847		\$0.03
32	Virginia	\$69,755	\$2,678,221		\$0.03
33	New York	\$82,041	\$3,295,427		\$0.02
34	Oregon	\$88,419	\$3,588,031		\$0.02
35	Maryland	\$40,029	\$1,685,356		\$0.02
36	North Carolina	\$178,030	\$8,488,092		\$0.02
37	Maine	\$10,959	\$545,523		\$0.02
38	Vermont	\$10,147	\$560,845		\$0.02
39	California	\$428,891	\$25,214,960		\$0.02
40	West Virginia	\$8,163	\$489,738		\$0.02
41	Pennsylvania	\$69,277	\$4,517,136		\$0.02
42	Delaware	\$11,015	\$797,238		\$0.01
43	Nevada	\$5,300	\$384,603		\$0.01
44	New Hampshire	\$2,314	\$170,195		\$0.01
45	Massachusetts	\$5,236	\$489,054		\$0.01
46	New Jersey	\$9,009	\$882,635		\$0.01
47	Connecticut	\$4,979	\$532,144		\$0.01
48	Florida	\$60,725	\$6,806,400		\$0.01
49	Rhode Island	\$431	\$64,197		\$0.01
50	Hawaii	\$2,599	\$547,122		\$0.00
United States Total		\$12,822,082	\$213,707,562		U.S. average \$0.06

Source: Economic Research Service, USDA, Farm Income data at <http://www.ers.usda.gov/Data/FarmIncome/fnfdm.htm>

Mr. LUCAS. Thank you, Congressman Case. And I would note that if the legislative process was just so simple as persuading the 3-year old heifer with a little tug to clear its shoulders, life would be a lot better in DC sometimes.

Given the time constraints, we'll be operating under the five-minute rule today. The Chair asks the witnesses to help us by summarizing oral testimony whenever possible, to allow as much time as possible for questions that deal with today's discussion, and your entire written record will be included in the hearing record.

So, with that, let's turn to our first panel of witnesses for opening statements.

And if I could, Ed, would you like to introduce your fellow Hawaiians.

Mr. CASE. Yes. Thank you very much again, Chairman.

I'd like to introduce some people that I've worked with very directly and indirectly over the last several years. Larry Yamamoto is our State conservationist for the Natural Resources Conservation Service.

Thank you for being here today.

Dan Davidson is the deputy director of the Department of Land and Natural Resources. Dan comes out of the private sector. He actually is a lawyer, although he doesn't fess up to that one very much. But, he is responsible, along with his chair, Peter Young, who I've known, for better or worse, since he was my classmate from high school. We graduated from HPA right on this island together. He's responsible for managing about 50 percent-plus of the lands of Hawaii.

Diane Ley is from right here on this island. Diane for many years participated in east Hawaii—many decades, I guess I should say—farming in the Volcano and as well as in Hilo mainstream programs and others. Very much knowledgeable of agriculture—tropical agriculture, diversified agriculture—and we were very lucky to get her to be the deputy chair of the Board of Agriculture.

And we thank Sandy Kunimoto for sending you today. A great panel.

Mr. LUCAS. You may proceed when you're ready, Larry.

STATEMENT OF LARRY YAMAMOTO, STATE CONSERVATIONIST, HAWAII NATURAL RESOURCES CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. YAMAMOTO. Aloha, Mr. Chairman, Mr. Case. Thank you for the opportunity to discuss the U.S. Department of Agriculture's Conservation Program activity in the State of Hawaii. My name is Larry Yamamoto, and I am the State conservationist for the Natural Resources Conservation Service in Hawaii.

I would like to just briefly summarize the testimony that I have provided to you by covering three points—the diversity point that Mr. Lucas already covered, really, but I would like to just emphasize a little more; the farm bill implementation numbers for Hawaii; and just a short look ahead of the NRCS and what they are trying to do.

Mr. Lucas mentioned the diversity in Hawaii, and I know that Mr. Case knows it well, also. Kohala Mountains, just up the road a little bit, is perhaps 250,000 years old, yet Kilauea is still erupt-

ing. We have over 200 inches of rainfall just up the coast, yet in Kawaihae, around the corner, basically, it's about 15 inches. And much like your 20-inch rainfalls in Oklahoma, we have those kind of buffalo grass rainfall (inaudible), also.

Now, the issue, really, is because of that, they produce many varieties of different crops, products—coffee to macadamia nuts, nursery products to specialty vegetables, very large ranches to very small hog producers and backyard operations.

Now, unlike the corn bill states and perhaps more of the wheat growing areas or some of the larger agricultural areas in the mainland United States, in Hawaii, the different crops are grown all within any given watershed. So, in other words, we don't have a corn bill area, where only a certain product is grown. We have it all intermixed. A small hog producer could be right next to an export house plant nursery producer, which could be right next to a vegetable specialty crop producer, producing baby vegetables for the large resort area hotel that's right down the road.

So, one of the issues that we deal with regularly is dealing with the complexity and interaction of these diverse agriculture operations within a relatively small geographic area. And so, that really helps to make our job more challenging, and as a result, we have to build into our programs that flexibility that can allow us to work with all of these different operations equally and fairly. So, flexibility is very important for us in the farm bill hearing.

Given this kind of diversity and agriculture and climate, it really is a credit to the Members of Congress that we can, in fact, apply the farm bill programs here in Hawaii.

Just recently, our chief, Bruce Knight, who has met with Mr. Case, has recently visited Hawaii; and I was able to show him some of the really dramatic differences that we are dealing with. And he has taken a personal interest in that. Under Chief Knight's leadership, the agency has worked to ensure that small states like Hawaii are receiving the appropriate resources to address the needs; and as a result, in this fiscal year, 2004, Hawaii received an increase of nearly three times the amount of farm bill Program funds over previous years.

This year's program funding is especially valuable because of the conversions of lands that were used, for example, to produce sugarcane in the past to other uses. In Hawaii, we are one of the few states that is experiencing an actual increase in number of farms, and it's not unusual for an area that was once a large sugar plantation now to be 200 small new farms. So, that's a very unique situation for us.

Now, I'd like to quickly summarize the numbers, which I know you have, but just for pointing out the differences. The Environmental Quality Incentives Program 2003, we had \$2,110,000 applied in Hawaii using 37 contracts, over 6,300 acres. We had 59 applications actually unfunded for a backlog of \$2.5 million. In fiscal year 2004, Hawaii received \$5.1 million for the same program.

The Ground and Surface Water Conservation Program, which is an offshoot of the EQIP Program, in 2003 received zero dollars; and in 2004, we have about \$1.2 million for this program. So, it's a brand new program.

And the numbers continue as we go with dramatic increases for many of the programs. One of them I'd like to mention specifically is the Farm and Ranch Lands Protection Program, which, again, was zero dollars in 2003; and then, in 2004, we got \$1.4 million. And so, hopefully, we will be able to utilize that to help dedicate some agricultural lands to protection and conservation.

Quick two other points, a quick look ahead. Chief Knight introduced a scholarship program this year that is going to be very important to Hawaii. Our CSR people are our most valuable asset. And the new pilot Asian and Pacific Islander Scholarship Program should help us very much develop the conservation leadership base for our future.

And also, another point I wanted to make, Mr. Chairman, is that we in the tropics really recognize the diverse and fragile ecosystems that we have to deal with; and as a result, the NRCS has established a Tropical Technology Consortium that will coordinate the sharing and transfer of the best technology for these tropical regions. Basically, we take technology that was developed for, say, the Midwest and Iowas and Indianas and have converted that to be applicable to Hawaii. So, this is very important in the implementation of our farm bill programs because now we have technology that has been built for places like Hawaii. And we cooperate with the University of Guam, the University of Puerto Rico, the University of Hawaii, and the University of Florida to do so, and with corresponding NRCS (inaudible).

With that, mahalo very much for allowing me to participate. I'd be glad to answer any of your questions.

[The statement of Mr. Yamamoto appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you. Whenever you're ready, Dan.

**STATEMENT OF DAN DAVIDSON, DEPUTY DIRECTOR-LAND,
HAWAII DEPARTMENT OF LAND AND NATURAL RESOURCES**

Mr. DAVIDSON. Thank you, Chairman Lucas, Congressman Case. I really appreciate you coming and holding this hearing today. I'm Dan Davidson. I'm the deputy director-land for the Department of Land and Natural Resources in the State of Hawaii. My boss and chairperson, Peter Young, would have loved to be here today. He has a Land Board meeting; so it's my honor to be here. I dressed up for the occasion.

Mr. CASE. We thank you.

Mr. DAVIDSON. A little bit about the DLNR. We're the State agency in charge of protecting and managing Hawaii's unique natural and cultural resources. We manage over 900,000 acres of forest reserve, 2 million acres of conservation district land, 410,000 acres of coral reef, 160,000 acres of agricultural lands. It's a lot of territory to cover.

Hawaii does have a number of natural resource challenges. Among them, as you well know, Hawaii's endangered species capital of the world with 379 federally listed threatened or endangered species. Many of these species, like the nene, Hawaiian duck, and the Hawaiian stilt, are found on privately owned agricultural land; so, of course, private landowners have an important role to play in preserving the species.

Hawaii also has a leading role to play in protecting the nation's coral reefs. Eighty percent of the Nation's coral reefs spur in Hawaii. As Congressman Case just alluded to earlier, there's a real concern about sediment, as it is transported down the streams and degrading the reef system. Providing forested buffers along streams will help reduce this problem.

In addition, Hawaii has over 500 harmful invasive species. This includes the red-imported fire ant and the fruit flies that prevent the export of Hawaiian fruits to California and Japanese markets. In addition, we're fighting Miconia, an invasive tree called the "green cancer" that can destroy watersheds.

Agricultural conservation programs can provide important stewardship incentives that will protect Hawaii's natural resources.

What are we doing in this regard? Well, couple of major things. The State of Hawaii is the national leader in landscape scale public-private conservation initiatives. Private and public interest have come together and established nine watershed partnerships encompassing more than 900,000 acres to protect, manage, and sustain watersheds and water resources. The private landowners in Hawaii are to be commended for working with the State, Federal Government, and others in this regard.

Also, I'm proud to be part of Governor Lingle's new invasive species prevention initiative. Hawaii is one of the first States to establish a cabinet level invasive species policy council and public-private coordinating committees. The State plans to designate the legislature, if our legislature will fund it, \$5 million in new State money each year for the next 4 years to combat invasive species. There are both environmental and economic reasons why this is perhaps the number one priority at DLNR. Again, private landowners have a major role to play in these efforts.

What has been missing up to this point is an effective companion Conservation Program on agriculture lands that help augment the programs. The farm bill agriculture conservation programs offer that opportunity, if they can be made to work in the Hawaii context. That's why this hearing, Mr. Chairman, comes at a particularly opportune time.

Over the past year, we have been working with Federal agencies—most notably Reuben Flores, Director of the Hawaii Farm Service Agency, and Mr. Yamamoto—and other State agencies to develop effective programs. We're presently developing a Hawaii Conservation Reserve Enhancement Program, CREP, and an associated Coordination Conservation Plan, hoping to enroll 30,000 acres of marginal pasture land and farmland into riparian buffers, wetlands, and native hardwood forests in high priority watersheds. In this CREP proposal, the State is also looking at developing this Coordinated Conservation Plan that will allow us to work with all the effective agencies. We believe there's strong producer demand in Hawaii for this program.

There are some limiting factors. I'm only going to mention one; and, again, Congressman Case has already mentioned it. The principal limiting factor to the CREP working as well as it should, in our opinion, is the adjusted gross income provision. Hawaii has some unusual historic sediment patterns where a tremendous amount of our productive agricultural land—1.2 million out of 1.4

million acres of farmland—are concentrated in about 100 large farming operations. Consequently, if we're going to serve 80 percent of the market, in effect, we really need relief and your consideration of figuring out a way to waive or modify the AGI provision in approving a Hawaii CREP.

I want to emphasize that these involve real farming and ranching operations that are very tough to sustain economically. What all the companies have had to do here is diversify into real estate—or not all, but many—into real estate and other operations that provide income that allow them to stay in agriculture; so it's critical that we provide the right measures. So, again, we're looking for your help and your consideration on the AGI issue in the context of the CREP.

In conclusion, thank you, again, for the opportunity to provide testimony. We're an island State with a fragile island ecosystem. We think that some of the programs you're talking about can be of immense benefit to us in both encouraging agriculture and protecting our resources. Thank you.

[The statement of Mr. Davidson appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you. Whenever you're ready, Diane.

STATEMENT OF DIANE LEY, DEPUTY CHAIR, HAWAII BOARD OF AGRICULTURE

Ms. LEY. Good morning, Chairman Lucas, Congressman Case. My name is Diane Ley, Deputy Chair for the Hawaii Board of Agriculture. Sandra Kunimoto regrets she cannot be here today, but it's certainly my pleasure to be here to provide comments relative to the effectiveness of Federal conservation programs in meeting the needs of Hawaii's agricultural community.

The Hawaii Department of Agriculture is the State agency which is responsible for assisting our local agricultural industry in reaching its full development potential. We make it a priority to develop strong partnerships and maintain a collaborative spirit between State and Federal agencies, farmers, ranchers, educational and research institutions, and others in our communities. We believe that successful partnerships are now more important than ever due to limited funding and resources.

Again, as others have mentioned, this subcommittee's visit to Hawaii is certainly fitting in that our State represents some of the most challenging agricultural conservation needs in the country. And I think the other speakers as well as background provided has highlighted many of the unique situations we have in Hawaii. We believe that the development and implementation of agricultural conservation programs are extremely important both to provide not only for individual farm and ranch operators and the public but also the public at large, as these will—programs will ensure a strong and vibrant agriculture industry as well as a healthy environment, sustainable watersheds, and important flood prevention programs.

NRCS programs have shifted from their traditional role of providing assistance to agriculture in terms of the enhanced overall productivity to one which targets environment goals. And this has been beneficial, as NRCS conservation programs in Hawaii provide

an unprecedented economic incentive for agricultural operations to undertake specific land stewardship in areas affected by unfunded environmental mandates, such as the Clean Water Act and Critical Habitat Designations.

While ripe with opportunities, this new direction has possibly contributed to some of the disconnect you may hear from farmers and ranchers. Those who are making use of the funding mechanisms provided by NRCS have praised the programs, but there are also those who are not employing the programs due to concerns that the long-term commitment to environmental programs will result in expanded habitat and increased presence of endangered and threatened species, which may trigger other environmental regulations.

Will they be able to continue to carry out productive agricultural operations, or will they be severely curtailed? How do we help the farmer and rancher balance the coexisting interests of agricultural production and environmental responsibility in a way that does not threaten the economic viability of the agricultural business.

The Department of Agriculture believes that education is the key to bringing all the parties together and maximizing the acceptance and the effect of these conservation programs. I'm going to touch briefly on a few of the programs and their impact and also offer some suggestions for how to help our unique needs.

In the area of conservation technical assistance, there is a tremendous need to expand efforts to deliver the conservation technical assistance on the ground. Over the past three decades in Hawaii, many of Hawaii's agricultural communities have shifted dramatically from operations that were managed by a centralized management system with a highly skilled work force to many small individual landowners. A significant number of these new landowners are not familiar with agriculture or soil conservation practices, and it is critical that efforts be directed to meet those educational needs before additional soils are lost due to inappropriate management techniques, which includes land clearing without a conservation plan and vertical tillage.

In the area of the Environmental Quality Incentives Program, EQIP, we believe that the linkage between agriculture production and the environment has been very good through this program.

We're extremely pleased that additional resources have been allocated by Congress for this program and its sub-programs.

We're looking forward to putting these additional resources available—direct them to the backlog of applications that are awaiting at NRCS; so we hope to see more work done in that area.

On the Grasslands Reserve Program, from our understanding, this program has been somewhat limited—there has been limited application in Hawaii. However, we believe that this is another program which has strong potential to significantly increase local production. In addition to existing rangelands in Hawaii, a significant number of former sugar and pineapple lands are being actively converted to pasture; and there is a need to enhance these lands by planting new pasture grasses and establishment of innovative rotation schemes, which can increase the production of livestock.

For the past 10 years or so, the industry has also made a strong movement to develop local grass-fed beef as well as export markets, and we believe that that will create additional demands for these premium grasslands.

On the Wetlands Reserve Program, WRP, for a long time, wetlands have been an important part of Hawaii's landscape and agricultural production. Hawaiians, as you noted earlier, first cultivated taro nearly a thousand years ago; and today, it remains an important crop. But, wetlands are also important for wildlife habitat, water recharge, and flood control; and the WRP offers landowners a fair market value for their commitment to protecting these important areas. The alternative in the past has been to leave these wetlands unmanaged, resulting in invasive species overrunning native species as well as their complete loss through development of these areas through dredging and filling.

On the Wildlife Habitat Incentive Program, we've made some significant headway in using this program here in Hawaii; but, again, we believe that the demand is going to sharply increase as farmers and ranchers begin to address expanded Federal programs designed to enhance critical wildlife habitats and the need for enhanced watershed systems. Recently, the Critical Habitat Designations were made, and these included a significant number of agriculture lands in the State. And so, we believe that the installation of exclusion fencing for feral animal control and restoration of native species will be key to the success of these Critical Habitat Designations, and the WHIP Program may be able to offset some of the cost to manage these properties and/or offset the inability to continue agricultural production, if that becomes the case.

Briefly, we mentioned earlier the Farm and Ranch Land Protection Program. Forty years ago, the State of Hawaii developed an innovative model for land use planning. Today, we are on the verge of renewing our land use programs specifically to protect our important agricultural lands from development pressures. Dan has been a key in this area, working very hard along with the Department of Agriculture in pursuing legislation to make some significant shifts, and—but one of the key components that has been addressed in this discussion has been the fact that successful agriculture is more than making good use of—making use of good agricultural lands, but we need economic incentives. And these Farm and Ranch Land Protection Programs can offer important tools in terms of purchasing of development rights and agricultural easements incentives; so we believe that we will be looking very strongly at those in the coming months and putting those to use.

Some of the challenges that we see to maximizing the NRCS programs. I want to touch upon that, just briefly. We mentioned how Hawaii's unique island ecosystem does not lend itself always to continental models and programs, and some new efforts need to be centered on collaborative community-wide approaches to develop, test, implement, and transfer the technology of innovative environmental solutions.

On the Island of Oahu, continued urbanization lures large landowners to retain their properties in anticipation of future development opportunities; hence, many agricultural leases are limited to less than 5 years. This severely limits the ability of farmers to par-

ticipate in conservation programs, which generally requires a 15-year commitment. Flexible use of funds could be applied to grants for cover cropping and other similar conservation methods, which are low cost but effective short-term conservation measures.

Also key is the need for flexibility in the delivery of these programs and signup timing. This year, Congress appropriated \$12 million for NRCS-Hawaii's budget for these conservation programs; and while this is exciting, the reality is that it's likely that not all of these moneys will be appropriated on the ground, unless—due to the short time frame in order to get the contracts signed. We just ask that NRCS needs additional advanced notice and flexibility.

One of the suggestions in some of our discussions has been that maybe we can utilize “block funding.”

In this case, the State NRCS office would be allowed to do final allocation of a pot of funds for conservation programs; and the Department of Agriculture would be willing to participate in ensuring that allocations are to address priority issues. This would result in the funds getting down to the local level to address local priorities on a timely basis.

Hawaii's unique statewide land use regulatory system that defines allowable uses in agricultural and conservation lands and employs a two-stage State and county land use change approval authority provides an administrative structure to ensure consistent and fair identification of priorities, thus allaying concerns of arbitrary decision-making.

NRCS Conservation Program structure and rules emphasize equality and equity of program administration that, in turn, requires close scrutiny of applicants in top priority problem areas. To maximize the effectiveness of all programs, during any year, the NRCS should be allowed to move funds from one Conservation Program to another.

As noted earlier, the adjusted gross income is of concern in Hawaii. Hawaii does have a fairly unique situation in which the extremely high cost of land—up to \$40,000 per acre for production lands—results in land being held by a limited number of businesses. In order to survive, these businesses have diversified their operational portfolios beyond agriculture. Fundamentally, agriculture is still a key component in their overall operations, and they have a strong commitment to agriculture's future and preserving our natural environment. We encourage additional discussions on this matter.

We've had some discussions internally about alternative triggers to the AGI. These might include environmental triggers or key target areas where the implementation of conservation programs are critical to addressing environmental degradation.

And again, we think that the establishment of State and local agency committees might oversee the development and implementation plans to verify that public funds are being appropriately applied for public purposes. Again, the Department of Agriculture is willing to participate with that.

In closing, I'd like to say that the challenges faced by agriculture in Hawaii are unique and many, and yet, we stand ready and committed to apply our best efforts to address them. We want to maxi-

mize opportunities for delivery and implementation of conservation programs for Hawaii's agricultural enterprises, and we look forward to working with our Federal partners to carry this out.

We'd also like to commend the NRCS staff in Hawaii for their service to the industry. We found them to be efficient, knowledgeable and accessible. And we'd also like to thank Representative Ed Case for arranging this opportunity to present our testimony to you in person. And finally, we're appreciative, extremely appreciative, to Congress for expanding the funding for these programs. Thank you.

[The statement of Ms. Kunimoto appears at the conclusion of the hearing.]

Mr. LUCAS. We'd turn to questions, now, from the subcommittee. I would note for the record that it was a mighty challenge in 2002, raising those additional funds for conservation programs. With President Kennedy's influence nutrition also became a major element in farm bills. And we've had a lot of work done through the years in conservation, but really, only in the 2002 farm bill did they contribute not only efforts to put more resources in but to enable us to pass the 2002 farm bill.

With that, I'd first like to turn to Larry.

You made the comment about the reverse nature of the farms here in Hawaii compared to the rest of the country, where farms still tend to be consolidating through vigorous operations. Tell me how this affects your stance or ability to work these applications and to basically get them working, because it clearly takes dramatically more time when you have five people applying for one application on what might have at one time been a single applicant's entire farming operation.

How are you meeting those challenges.

Mr. YAMAMOTO. Mr. Lucas, the idea that (inaudible) of the conversion of old plantation lands from one large parcel to many new small farms has created a large workload demand for us; and so, the way we approached it is through prioritization.

Obviously, in the case of sugar plantation (inaudible) acres. We had a conservation plan (inaudible). While one field of 200 acres may have five farmers, now we have five conservation programs for that one field; so it has increased our workload a lot.

We've tried to prioritize those participating in the programs to ensure that they are treated first so that their application would not be hindered in the farm bill implementation.

(Inaudible) we were not able to get to all the conservation needs immediately, and we did have to prioritize based on that.

But, one of the things that we've worked towards is working with the (inaudible) here in Hawaii have helped (inaudible) and ability to write these conservation plans for these increased numbers of farms. But, even that has—it's not necessarily met all of the needs as quickly as we'd like to see it.

What we're also trying to do is take advantage of the innovations that have occurred and take, really, an approach that would lessen the time for conservation plan development; but that's, of course, a matter of Congress (inaudible) work in progress.

Mr. LUCAS. Have you found, Larry, that as the number of programs increased the funding should become better than before like

additinal funding or new programs like GRP, as the word gets out in the community among the property owners, among the farmers and ranchers that these programs exist and are worth their effort? Is that generating more activity?

In 2002, we thought we'd set enough money aside not only to meet the conservation needs infuture years of the farm bill but also to cover all the backlog that existed. In many areas, it seems that success has only created a greater need for increased funding, and the backlog's grown simply because there are more people trying to do this.

Are you encountering that?

Mr. YAMAMOTO. Yes, absolutely. One of the things that was a concern for us after the 2002 farm bill was passed initially was, how do we get the word out? How do we get the word out to people who do want to participate? And we made an effort at that point, but because of the funding levels in previous years, we have such a large backlog. There was a (inaudible) and yet, we were not able to deliver because of the funding.

Now, this year, as I mentioned, we have a tremendous increase in funds. One of the things that is concern for us, though, is the lateness in which it arrived, which presented a tremendous challenge and opportunity for us to get it out as quickly as we can. Three times the money. Same number of people. Many more applicants.

And this issue of (inaudible) because the regional equity issue that I think we're mentioning here, really, is a concern for our agency nationally. No one wants to see the moneys allocated to a State and lost at the end of the year; so in the middle of the year, we are needing to, I guess, evaluate the effectiveness of our operation and return moneys that we don't think we'll be able to spend so that they can be reallocated to those areas that can use the money. I believe we'll be able to spend most, if not all, of the money that we're allocated; but it will take a tremendous effort from our staff to do so.

Some of it, like the Ground and Surface Water Protection Program, is brand new for us. It's going to be an extreme challenge. Some of the programs, also, like the Farm and Ranch Land Protection Program, which, to me, is one of the most excellent programs we are able to offer, is going to be challenged by issues like the adjusted gross income limitations; and so (inaudible) because of the basic tenure of land ownership in Hawaii.

So, we have a lot of challenges, but I do believe that we'll be able to deliver most of them, if not all of them.

Mr. LUCAS. I'd like to go to Dan for a moment. Let's talk about the adjusted gross income limitations issue for just a minute, about the impact that you see here in Hawaii with the number of people or number of opportunities for conservation practices that are being missed because of this. Any kind of a feel for that, Dan, what percentage—what real impact this is having?

Mr. DAVIDSON. Well, I think you—as I indicated, when 85 percent of the cropland is owned by entities and companies that, by any stretch of the imagination, would be excluded from the program—and I think there's some history. It isn't just the CREP Program that we're working on now but some of the others that were

mentioned in Diane's that it's just a—it's a significant disincentive to get people to want to participate.

And again, I think the most important thing (inaudible) the Hawaii Cattlemen's Council (inaudible) is that while there may be all kinds of good reasons for AGI limitations in other particular locations, what we're trying to do is encourage the large companies and agricultural enterprises to stay in agriculture.

And we shouldn't, again, exclude them because they're involved in other enterprises; so that's what I really focused on in our testimony, that we think (inaudible).

And the other aspect to them is it's a lot of these large landowners that have participated in our conservation partnerships that we're very excited about. These are nonregulatory voluntary programs that have gone to Maui Pines and the other large companies here and have said, Will you work with—work with (inaudible) resources? And it's been, really, almost an overwhelming positive response. It's good for them; it's good for us; and we think we can carry over that same sense of cooperation to CREP and other programs.

Mr. LUCAS. It's one of the most difficult challenges, of course, trying to address all the needs of the very unique individual 50 States. In this last farm bill, as in previous farm bills, we've spent a huge amount of time debating on the issue of should there be limitations on commodity program payments. And in this last farm bill, it was thrown into the conservation issues. And within the committee that we serve on the House, there's a very, I guess, populist streak, you might describe it. That totally means that limiting those dollars and spreading it around, it makes for a greater allocation.

But, it seems that all three of you here are making a point in a very polite way. If you're going to meet the conservation needs, you can't hold these other issues hostage. At least, that's what you seem to say.

I mentioned the conservation technical assistance problems have presented many challenges since the farm bill's been signed into law, and Larry's aware of this. As we work through to determine how various programs should be funded. And I've called on a couple of Senators in midwestern States, in southern States there has been some major disagreements.

From your perspective, I suppose, since you have to work with these efforts—customarily, I think, in days past, the technical assistance was paid for from, more or less, within each program, which is something we drifted away from now.

From your perspective, how do you see the technical assistance being, number one, available to farmers, ranchers, and landowners; and, number two, how it should—how the costs should be met.

Ms. LEY. Well, when there's lots of money. That's great. It is really the challenge. How do we deliver programs when there are limited resources? I think the State has been doing what it can with—through its own water conservation programs, which (inaudible) Department of Land and Natural Resources. Our State budget is not in real good shape at this point, as many states are faced with the same things.

Mr. LUCAS. Which is an uncommon challenge right now, agree.

Ms. LEY. I'm not sure I have answers where to get the resources from. I just know that—I guess, it goes back to Larry's point about understanding the priorities for communities. On this island, I'll take the Hamakua Coast as an example. That area was once several large plantations and many have been—the plantations gone out of business, and the landowners basically, in the basis of tracks of land, subdivided into smaller farms and ranches. And so, again, those are some of the areas, we have some direct concerns about, having enough resources on the ground for these inexperienced farmers and ranchers.

And then, again, on, say, the Island of Oahu, Honolulu, the large parcels of land are held by larger landowners; and because of the future potential for development and the demand for that, they, to a large degree, are hanging on to those parcels. Then we have different challenges there.

I commend our local offices for trying to balance these needs. I guess that our testimony (inaudible) just addressing it. There are additional resources that are needed, and if we can bring them from the State, that's great. And if we can do it with Federal resources, we appreciate that. And if there's some other way we can do (inaudible) provide more input, I think the Department of Agriculture's willing to sit down and talk about that.

Mr. LUCAS. Congressman Case.

Mr. CASE. Thank you, Chair. Let me just pursue this CREP proposal with all of you, because from my perspective, it appears to be a beautiful localized use of a great Federal program. One of my themes back in Washington is that Federal programs look like they're going to be great on paper, but when you get out into the field, they don't work, or at least they don't work how people thought they would work. They didn't accommodate certain things that actually happen out there in the field.

And what attracts me about CREP is, No. 1, it seems to me to be a great conservation programs; No. 2, it's a beautiful public-private partnership; No. 3 it gives local flexibility, as I understand, so that if you wanted to get more flexibility than perhaps the Federal law and regulations allow you could adjust within appropriate limitations; and then, No. 4, it has the beauty of solving more than one problem at the same time.

Obviously, we have the problems of maintaining farmland and ranchland, conserving soil, and protecting our marine life. So, can I ask all three of you to go into this a little further.

First of all, Dan, can you tell us the logistics of where we are on CREP? Because my understanding is that it's been submitted to the governor at this point but not yet approved by the governor. I don't know if that's true. I'm just trying to figure out where is it, because in order to get CREP up and running, my understanding is we would have to obtain the approval of both Secretary Venemen and Secretary Moseley and maybe some congressional modifications, some changes. I don't know if that's true or not; so I'm not sure if what we're doing is on track.

Frankly, we're running out of time; so my interest, if this is as good as it seems, is to get it done. And Congress has 8 or 9 months. As a practical matter, I have 8 months left.

So, where is CREP in the planning right now? And then, we'll move on to the others and ask—is everyone on board; that's really what I want to know and what is missing. What can we do to help.

Mr. DAVIDSON. Well, CREP is still being developed internally; and Paul Conry, who's the DLNR Wildlife Program manager here, can provide some of the more details on exactly where it is. We've had some discussions on the logistics on when we think it needs to go in—which we think July, August is still workable. That's what we've heard—but the program is (inaudible).

There's no question we feel the same way that you do about CREP at DLNR. It looks like such a tremendous opportunity to utilize new money to accomplish really great results.

What I didn't mention in my testimony and what we're still grappling with are little match requirements. So, we have to make sure that we're in a position to—at the exact time it needs to be there—to say here's the local match. There are differing versions of whether, for example, the new invasive species initiative, which our legislature is going to fund—it looks like the only issue is that 5 million versus 4 million, and is it general fund or is it special fund, but it's going to go (inaudible), which is significant—does that constitute local match? If it does, we're in an even better position to move quickly. But, if you would like to hear from Mr. Conry on a little more detail on the actual proposal, Paul can come up.

Mr. CASE. (Inaudible).

Is this something that—are you supportive? Are you at all supportive (inaudible) and conservation programs.

Mr. YAMAMOTO. Well, (inaudible) science behind it is very defensible and very good.

One of the provisions of the CREP proposal is the change in definition of “stream” for Hawaii. Now, in the current Conservation Reserve Program, streams need to be—intermittent streams need to be spring fed, where in Hawaii, primarily, it's rain fed. So, we aren't able to participate in regular CRP because of those things, and this would help alleviate that. So, that's a very good thing.

Our concerns at this point are only based on, is it going to be funded at the correct levels to be supportive of itself and not take away from something else in order for this to occur?

Mr. CASE. Well, it would be utilizing the 12 million, right? I think somewhere it said 8 or 9. Or, do I have that wrong in the consolidation of various program efforts.

Mr. YAMAMOTO. I think that's what the intent of the proposal, as we saw the outline, is. Currently, the way NRCS operates, CREP and CRP technical assistance dollars are dedicated for this particular purpose. The proposal that is circulating talks about the blending of funds; and actually, right now, that's not allowable in our management scheme because of the way the moneys are appropriated—or allocated to me, I'd say. And so, this proposal would have to get some kind of approval at the secretary level for us to be more flexible, and this idea of flexibility must be part of the proposal that Secretary Venemen then will approve.

And so, the current rule that we have and what the proposal is outlining is a little at odds. One of the things the proposal outlines is taking conservation technical assistance dollars from our conservation operation fund and funding CRP with that, which is a

complete no-no. There's a firewall preventing us from doing it legally.

And that's the kind of thing that I'm talking about in the proposal. It's talking about doing things that, right now, I would be fired, probably, to do. Obviously, I'm a little concerned about that; so—but, at the same time, the science behind it is very good. We support very much the idea of this kind of protection. And the fact that it can, in fact, help qualify those lands that are currently ineligible under the definition to become eligible is a very good thing.

And so, while we support it and the ideas behind it, I'm a little concerned about the process in which we can implement that (inaudible). We are working on that now to be sure that when it is proposed, it is something that we can work with and still accomplish what we need to.

Mr. CASE. Diane, the Board of Agriculture on the board's concerns—

Ms. LEY. Yes. At the Department of Agriculture, we certainly support this effort. I think we believe that this is a significant program that can really move agriculture to address some very challenging environmental issues. Again, looking at these plantation lands and our ranchlands, if we can significantly modify and put back into native vegetation our riparian areas, I think we'll be putting stars on our chest, so to speak, and that's a really good thing.

The Department is working with NRCS and DLNR and some of the stakeholders. We've had meetings, and I think we've kind of actually just met with it yesterday. I think we are gearing up to really come back. The plan was drafted by the environmental defense; and we need to—we need to take a look at it seriously, how we can effectively implement it here in Hawaii from our perspective, from the agency's side.

And so, I think what we're looking at right now is, what is the actual cost to the State in terms of management and in terms of cost sharing dollars? What type of cost sharing dollars can we utilize so we can match up those resources.

We want to look at the size of the program. Is 30,000 acres appropriate for us to start with, or should we look at a smaller sized project? We want to look at—and I don't—when I say “look at a smaller sized project,” I think, in a sense of time line to develop into a larger program, I don't think we want to just limit ourselves, but kind of moving along in both pieces short and long term but make sure that we do a good job.

I think the other thing that we want to do is we want to site—we want to look at sites that are appropriate in terms of the landowners. When we have this issue of the AGI, we were just picking out some case projects, possibly, the other day; and we said, Ooh, we've got quite a few larger landowners that may have challenges. So, we may have to be selective in how we initially approach this until either that is modified or you can figure out a different vehicle to do it in. So, we're grappling with those things.

Somewhere in discussion yesterday, I actually talked about how some of the other partnerships and resources we can bring in from the State. We've got programs that are doing water quality monitoring. How do we bring that in? How can we bring in some of our other watershed programs so that we can maybe take a target area

and actually do—not only just doing the CREP portion and enhancing it but enhance upon some other programs that are already existing so we can come back and go, Whoa, this thing made significant difference.

So, again, we are committed to working on this.

And your question as to whether it has gone to the governor, I know personally the Department of Agriculture is in communication with the Governor on this matter. I don't believe that a written proposal—it has not come up through the departments yet—the DLNR or the Department of Agriculture.

Mr. CASE. Yes. Thank you.

Dan, just quickly, just going back to timing, you said “July, August.”

That means coming out of the State administration and going to DC?

Mr. DAVIDSON. I think we should get back to you. We've had recent discussions with environmental defense on their view of logistics, and we're learning about that—

Mr. CASE. (Inaudible) parallel pattern.

Mr. DAVIDSON. Yes. And what sort of executive branch and what's before you that needs to happen. And a lot—looks like a lot of things will have to align correctly, but that's the business we're all in.

Mr. LUCAS. Thank you.

With that, we thank the panel for your insights and testimony and dismiss you and ask the next panel to come forward.

And while they're doing that, I believe we have a couple of other individuals we should recognize in the room today. The State Director of Rural Development Office for the USDA, Lorraine P. Shin. We also have the State Executive director of the Farm Service Agency, Reuben Flores. Thank you both for coming today.

Mr. CASE. Thank you very much, and I wish we could introduce everybody here to our chair and to our panel.

Hopefully, you'll do it after the fact, but I do want to thank you for being here. We are really happy to see this next panel, to talk about what's happening on the ground, literally.

Corky Bryan is the manager of Parker Ranch, which is the largest ranch and has been for a long time in the State. A long and illustrious past and present. It has, probably, many of the same issues that many ranches have, not just in Hawaii but throughout our country, in terms of maintaining and operating a ranch as a profitable enterprise, at the same time trying to preserve lands that are—for which there is a large incentive to move to different and better uses. I think that's the best way to put it (inaudible).

David Matsuura has served Hawaii and especially East Hawaii long and well. He's been a member of State legislation (inaudible) 10 or so, 12—

Mr. MATSUURA. Four.

Mr. CASE. Four. Well, he's been around in politics for a long time.

You made a real dent while you were there. I thought it was 10.

Mr. LUCAS. Obviously. [Laughter.]

Mr. CASE. And his Umikoa Ranch has some very innovative programs that make use of conservation programs.

JoAnn Yukimura, kind of a legend in her own time, has served the County of Hawaii very long and well as a councilmember—a mayor, councilmember, and some other incarnation perhaps in the future, and has been dedicated to environmental issues and smart growth issues and preservation agriculture. And Kauai, as I said earlier, is a real microcosm of what's happening in the rest of our State in terms of the conflicts between preservation and conservation of agriculture land and development.

So, thank you.

Mr. LUCAS. Whenever you're ready.

**STATEMENT OF MICHAEL "CORKY" BRYAN, MANAGER,
PARKER RANCH; PRESIDENT, HAWAII CATTLEMEN'S COUNCIL**

Mr. BRYAN. Good morning. I'm Corky Bryan. Not only am I representing Parker Ranch here, but also, I'm the president of the Hawaii Cattlemen's Council, which is a statewide umbrella organization made up of each county's cattlemen's associations.

And just to give you an idea of what the council is, there are about 130 members, and we are stewards of over a million acres of land here in Hawaii, which is about 25 percent of the land area. So, we have a tremendous stake in these programs.

I want to thank the previous panel for giving my presentation this morning. [Laughter.]

They covered just about everything I was going to cover.

But, just to reiterate some of the things that are—not to overdo it, but our first—our first concern, of course, obviously, an AGI situation. It eliminates many of the larger ranches here in the State, and we do—which do represent some of the large landowners. And we have in discussion with the environmental defense people about the CREP Program, and we are on board with them in terms of what they're trying to get done here. And this is totally off of my field, but I wanted to make sure that I made that point to you.

The other point that we wanted to make, as some of the other speakers have made this morning, is getting the flexibility on the ground with the—and getting—being able to get a little more staff members to be able to make some of the decisions.

Because Hawaii is such a unique place, some of our ranches have got four of five different climatic zones; and what happens is what works in your part of Oklahoma sometimes really isn't applicable to here. And I'm sure you're well aware of that, but I just wanted to make that point.

And we feel like if there is a way—and CREP does this in many ways—there is a way to have some flexibility on the ground, where if there's a given practice that needs to be done and here are the steps that you need to do, they may not fit for some of the country that we run or some of the other ranches run. It would be really nice to have that—Larry's people be able to make some of those differences and be okay with it and not have to worry about getting fired.

One of the things that Parker Ranch has been involved in is this Pelekane Bay Watershed Project that started in the late 1990's. If—I'm going back to the AGI deal, again. If, in fact, the AGI had been in place at that time, we would not have been able to participate in that program. And what we—what our—our point of this—

our part of this deal is to kind of help prove that cattle can be part of the solution as well as the problem. So, we've been working very closely with the NRCS, the Mauna Kea (inaudible) conservation district, and the Department of Health, State of Hawaii in trying to mitigate a lot of that runoff that we see in the Pelekane Bay area, the Puu Ko hola area, and Kawaihae.

I think I've covered most of it, but the other—one of the other things that we really wanted to make sure that we—the point he made is that the CREP and the CCP programs that had been discussed earlier are going to go a long way to help a lot of the staffing, the flexibility; and if we can do something about the AGI, I know a lot of us would like to participate.

Congressman, if we don't take care of the land, the land won't take care of us. And that's all of our business. And so, while we do need to have some economic incentives, none of us will be in business if we don't make a little bit of money and nothing better than a \$80 cut fat cattle, as you know.

But, these conservation programs need to have some sort of an economic incentive to them to—if I do go into a Conservation Program, and it costs me money—even if it's in time or whatever, it still costs me some money—is there some way to blend an economic stimulus to that? What is it going to be? How is it going to help my operation, or how is it going to help—maybe I have to do an ecotourism.

Could that be part of it? Those kinds of flexibilities are some of the things that we need to, the Grasslands Reserve Program, I know, is kind of dear to your heart. We definitely would love to participate in that; but, then, again, we run up against this little AGI deal.

As Congressman Case alluded to, there's a tremendous amount of pressure, especially in our particular operation, and I know there are several operations in the islands that have got a lot of urbanization pressures. We have some core—what we consider our core ranchlands that we have dedicated to ourselves that would never be developed, but those kinds of programs would really go a long way to help me to talk to other people about the power to hold on to those lands because of the legacy we need to protect.

So, again, conservation programs are extremely important in Hawaii. We really, really appreciate you guys coming out here. It's been an educational process for me. I have been (inaudible) conservation programs, but I had to get involved real quick in the last couple weeks. But, I really appreciate your coming, and I would like to say that I may have to leave before you get around to questions, but thank you very much.

[The statement of Mr. Bryan appears at the conclusion of the hearing.]

Mr. LUCAS. Understood. Time constraints. We certainly appreciate it. David.

STATEMENT OF DAVID MATSUURA, MANAGER, UMIKOA RANCH

Mr. MATSUURA. Thank you, Chair Lucas; thank you, Congressman Case, for coming to Hawaii. We really appreciate you guys for

coming here. And for time purposes, I'll just summarize my testimony as well as my experience.

I'm glad that you're a rancher, fifth generation. As you know, us ranchers are the stewards of the land. We take care of our land, and we really actually want to help.

The biggest concern that I think I see with these programs are (inaudible) farm bill is that we're here in Hawaii. A lot of the rules don't adapt to us compared to the mainland. The AGI knows it's important.

I think one of the better solutions for Hawaii, also, would be coordinating conservation plans. Because currently, what we're doing on the ranch—if we see a project we want to do, like protecting our riparian waterways, basically, we look at the projects, and then we got to try to fit different programs into the plan, because the rules really don't adapt.

If we could have the true intent of the program and we actually coordinate the plan like the CRP, CARP, WRP project, we can adapt that program to our projects as a coordinated effort, coordinated plan, and get it approved. Just allow the Hawaii staff to massage some of the rules and regs so it will adapt to Hawaii. I know trying to get an exemption through Congress without every other State throwing their exemption in is going to be rough, but I think as long as we stay with the true intent of the law, true intent of the bill, true intent of the program, we should be looking more at what can be done for the projects versus trying to follow the rules and regs, trying to fit it in.

Another one of the thing—and this is where, Chairman, you got to close your ears—is we need more allocation for the State—more equal allocations in Hawaii. We're underfunded, heavily underfunded, in terms of our allocation statewide. But, if we don't use it, Chairman, we're more than happy to send it to Oklahoma, sir.

Mr. LUCAS. You are a good statesman, sir.

Mr. MATSUURA. Thank you.

But, that one, I think that's key, because I know we're always—working as a rancher, we're really on a tight time frame. We want to move the projects. We don't really have time to wait another 2 years in terms of implementing some of these conservation programs.

But, I think it's key, especially here in Hawaii, our agriculture and conservation has to work hand in hand instead of working against each other; and I think these programs are going to be key, because they give us the financial incentives as well as some of the protection to actually go ahead and do it. Also, (inaudible) the technical assistance through NRCS to actually implement these programs, because sometimes our expertise may not be centered to environmental issues.

So, these programs are critical. I'm hoping that you can actually do something that can actually really help us adapt into our—some of your programs that are helpful to ranches here and the farmers. Thank you.

[The statement of Mr. Matsuura appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you. JoAnn.

**STATEMENT OF JOANN YUKIMURA, COUNCILMEMBER,
COUNTY OF KAUAI, KILAUEA, HAWAII**

Ms. YUKIMURA. Chairman Lucas, Congressman Case, I'm very grateful for this hearing; and we thank you for your desire to help us promote agriculture in Hawaii.

Congressman Case, it's such a pleasure to be your hometown.

I think, if I weren't living on Kauai, I'd be living here. Unlike most places in Hawaii, Hilo still feels like the Hawaii I love.

I have three points to summarize here: First, that a strong agricultural sector and the preservation of agriculture lands in Hawaii is tied to key societal goals; second, that we are in transition here in Hawaii, as you've heard, and it's a time of both risk and opportunity; and third, we greatly appreciate the Farm and Ranchland Protection Program and are positioning ourselves to utilize it and hope that the allocations to Hawaii can be as strong as possible to help us.

First of all, a strong agriculture economy and preservation of agriculture lands are key to our goals of a sustainable economy, a greater self-sufficiency and food security, and to the quality of life in Hawaii. Hawaii is uniquely vulnerable both economically and in terms of food security. About 90 percent of our goods are imported. And I talked to our civil defense director yesterday, and he says that we have five to seven days of food if supply lines are cut by strike or by disaster. So, that points out how vulnerable we are.

And to the extent that we can grow our own food and, yes, our fuels, we will build a stronger economy. I notice the gas prices in Hilo are much lower than Kauai's, and people are struggling with those higher costs. And I'm happy to know that Maui Land and Pine and CEO David Cole are actually testing lands to explore the possibility of biofuel crops here. So, that's good.

Where are we right now? We are in transition from a plantation agriculture to a diversified agriculture, and there's a great deal of interests and activity there. At the same time, there's a great risk. We have huge pressures on our agriculture lands. Hawaii's real estate is among the most desirable in the world. An indicator of that—we just got word—the median home price in Hawaii—on Kauai, is \$430,000 which, besides giving us a terrible housing problem, also shows you what the pressures are for development.

And regulations are not sufficient. They're important, but they're not sufficient. So, an agriculture lands Conservation Program is a very important complimentary tool to our efforts to preserve agriculture lands; and as I said, we're positioning ourselves to take advantage of your program.

I was most impressed to hear earlier this morning that you, Chairman Lucas, are the author of the Farm and Ranchland Protection Program; and I want to personally thank you for your vision and your leadership.

And there was convened over the last year an agricultural working group—and Dan Davidson and Diane Ley and many, many others were part of that—to look at how we might actually implement our constitutional amendment of 1977, I think—or 1978, which required us to identify our prime agriculture lands.

What resulted from this agriculture working group was legislation that is right now pending before the State legislature. It in-

cludes an agriculture land protection program which, if enacted, will allow for the purchase of development rights, which could work in concert with the Federal Farm and Ranchland Protection Program.

The four counties that make up Hawaii could also provide local ranching funds, and I'm proud to say that the voters of Kauai in 2002 approved an open space public access charter amendment that sets aside a half percent of real property tax revenues for open space acquisition which includes agriculture lands, and to the extent that the target lands are also prime agriculture lands, our funds could provide such a match.

And Councilmember Jacobson from this island is preparing similar legislation, and I believe it has similar provisions. So, we are all very interested in partnering on this very important program. In fact, right now, on Kauai, we're looking at taro lands in our renowned Hanalei Valley, which are threatened by development; and that just shows you some of the need we have here.

I feel that the basic parameters of your program are very good. They allow local, Federal, and landowner contributions.

So, those are very helpful provisions, and I'm not really suggesting any changes, just a lot of funding and continuation of the program.

Thank you very much.

[The statement of Ms. Yukimura appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you, JoAnn.

Let's start with you, Corky, since you have the tightest time constraints.

Mr. BRYAN. Thank you.

Mr. LUCAS. Time and time again, it comes up quite clearly that the income limitation was put into place, as much as anything, out of concern by majority of the members of the committee and reinforced by the full U.S. House, in an effort to make sure that resources were available in a broader range and to make sure that perhaps certain individuals who had made tremendous sums of money in other enterprises and which suddenly arrived on the agriculture scene didn't absorb all those dollars and prevent us from spending funds on those who needed them. At the same time, people raising buffalo in the continental U.S. physically. [Laughter.]

Do you have any feel in your own mind about how that rule could be modified to make it more practical to unique circumstances. For instance, a family-owned ranch on the same land for 157 years, not a recent acquisition.

Mr. BRYAN. No. And we don't play basketball, either. [Laughter.]

Mr. LUCAS. Exactly. Thank you for being observant.

So, surely, issues like that need to be relevant in making a determination.

Mr. BRYAN. No, we're very aware of that. In fact, we've had discussions about that in our council meetings, our Cattlemen's Council meetings. There's a short list of large ranches here in the State and a long list of small ranches, and we're very, very aware of the need not to have all the big guys suck up all the money, basically. And there must be some mechanism that people a lot smarter than I am could come up with in terms of limiting the amount of, the

actual dollar amounts that each entity is allowed to spend or to acquire from the Government or whatever it is.

But, I know, speaking of Parker Ranch, that we would be—we would welcome any amount of money that would allow us to continue not only to ranch but also to preserve a lot of the country that we run cattle on and to help us in using cattle as a tool in that preservation. We don't—our—the last thing we want to do is to take all the money. That's—because that philosophically and morally, that's not what we're about. But, it seems to me, there's got to be some real easy way to do it—maximum number of dollars. Maybe Larry's people could help in terms of the kinds of things that they could look at that would make it work. I don't have a silver bullet for that one.

Mr. LUCAS. Any questions, Ed?

Mr. CASE. Just to get some facts in the record here that the largest ranch is the Parker Ranch.

Mr. BRYAN. In the State, right.

Mr. CASE. Right. And that's clearly an AGI issue.

Mr. BRYAN. Clearly.

Mr. CASE. Second largest agricultural—

Mr. BRYAN. Probably Pono.

Mr. CASE. Ponoholo Ranch. What's the AGI situation there?

Mr. BRYAN. I think that he qualified a couple of years ago for some program. I think the Grasslands Reserve Program he qualified for.

Mr. CASE. Where are we going today.

Mr. BRYAN. Anywhere from Ulupalakua to—

Mr. CASE. That's an AGI situation.

Mr. BRYAN. Yes. Palani. That's an AGI situation.

Mr. CASE. AGI.

Mr. BRYAN. That's Palani.

Mr. CASE. Right.

Mr. BRYAN. Probably, then, you're looking at Haleakala.

Mr. CASE. So, we're talking right off the top, about five, at least four.

Mr. BRYAN. Yes.

Mr. CASE. And it's going on.

Mr. BRYAN. Yes.

Mr. CASE. Let me pull you slightly back to the big figure, since you're here on behalf of the Cattlemen's Council. This is the House Agriculture Committee. You've got a rancher right here.

Give me a quick—where is the Hawaii cattle industry right now? What are your major challenges besides just, pressure preserving your agriculture lands.

Mr. BRYAN. Three or four big challenges, of course, are—most of the cattle calves that are raised here in the State are shipped to the mainland; so we have a huge transportation problem. And, of course, one of the big stumbling blocks for us as Parker Ranch in particular is the Jones Act, because we cannot use a foreign ship, which we've used for over 10 years now. That's one of the things.

The other thing—our availability to feed stuff. And that's another—transportation, probably, is the No. 1 cost outside of your normal labor and that sort of thing that we have to deal with. I would say, other than that, we really are looking to keep all our

cattle at home, and market development in Hawaii is a huge thing that we're trying to deal with.

We love the idea of going back to—going back to the 1950's and grass-fed cattle, but this island, especially, is subject to droughts. You can't get too many grass-fed cattle when there's no grass. And so, that's why we went to a feedlot situation, that sort of thing. And then, you got—if you want to put in a new feedlot, now you got the CAFO and all those guys that you have to get permits for; and I just don't see that happening again. I see a limited amount of grass cattle happening.

So, development of that market is going to be critical for a lot of these smaller guys to be able to stay home with their cattle and not have to send them away. And we support it. We'll support anything as a council that allows our members to do better and to stay home with their cattle, if at all possible.

Those are the two big issues, I think, and, of course, lands use and those kinds of things.

The important agriculture lands. We're a little bit concerned, Congressman Case, and Jimmy Greenwell has been our pointman on this particular issue. The agriculture working group is that some of the important agriculture lands—you have to understand that they may be important for one segment of the agriculture industry, but they may not be important for others. Are we talking about conservation, or are we actually talking about production ag? So, that's been a push/pull over the last year and a half with that problem.

Mr. CASE. I think it's been more like 25, 30 years—

Mr. BRYAN. Anyway, those are primarily the things.

And the fourth thing, obviously, is the tax implications on agriculture lands. This county, in particular, has gone through a recent change there that really attacks the agriculture lands in relation to housing on that agriculture land. And it's hurt some of the smaller guys. We've been—as a council, when we—the Cattlemen's Association has been very, very close to that particular thing, and it was a situation where we had to give up something to get something, a typical political deal, where we were able to maintain some of the tax rates on some of the larger, less productive agriculture land—pasture lands, and we had to give up that particular house lot. What's the word I'm thinking about?—assessment on those house lots at a high rate in order to maintain the lower rate on the rest of the agriculture lands. So, those are primarily the things.

Mr. CASE. Thank you very much.

Mr. LUCAS. Thank you for your insights, Corky. And whenever your schedule requires you to leave, you may do so.

Mr. BRYAN. Thank you. And I really appreciate your time.

Mr. LUCAS. As Members of Congress we live our life by the clock, we understand fully.

Well, for me, David, what are your insights on the income issue?

Mr. MATSUURA. Income? I think there was an amendment, I think, that if 75 percent of your income came from agriculture related activities, that you are exempt from AGI. I think either that was going through or that has been adopted, which is not good, because then you're getting—you're helping the pure farmer. You're

helping the rancher who is family run or been generational agriculture (inaudible) rather than corporate farmers.

For us, I think it is important, given the information that you've got to be large landowners. I think some of the rules that you adopted that allows lessees with 10 years or greater to actually participate in these programs, I think that was—that really helped a lot of us agriculture farmers.

But, I keep on coming back. Have you noticed all the programs that we participate in with the farm bill—it's really hodgepodge, mainly because we are trying to adapt different programs to the project versus (inaudible) the project to the land. If we could actually do that, where we can work on one project—either the WRP, CRP, CARP—and actually look at the whole riparian waterway versus large targeted projects, it will be a lot easier versus us trying to do different applications, different (inaudible) moneys, looking at different qualifications for each program and trying to piece-meal the project together.

But, if we can actually do that, that would really be a great help for Hawaii. It's allowing us to actually use some of these programs effectively without having to actually go through all the rules, like how Larry said before.

Mr. LUCAS. And I must note, JoAnn, that the Farmland Protection Program would end the previous piecemeal problem. I just work along with my colleagues to help make sure that all the programs include a better slice of funding, closer to meet the needs. GRP and a couple others are particular efforts, but yes, they must all work together. From your perspective, obviously, using farmland protection, a number of these other programs, help meet not only environmental goals but goals within the community to preserve themselves and their sense of well being. From your perspective, if the additional flexibility were there, or even without the additional flexibility, it's still worth pursuing these endeavors, correct, you would continue to assist in creating more farmland protection and a number of these other programs?

Ms. YUKIMURA. Oh, yes. Actually, some of the discussion has gone over my head. I'm not familiar with all the issues. But, the way it's presently structured seems like it would work. We haven't actually taken advantage of it yet on Kauai, but Mr. Smith from NRCS did call us about next year's allocation. And the work that's happening on Kauai is moving closer and closer to being able to take advantage of the program. And for those moneys which are, I feel, directly focused on ag, agriculture, that would be the primary—I think we need moneys to preserve prime agriculture lands. The other issues of conservation, open space are ancillary to lands that actually host some farming enterprise or become available for farming to happen.

Right now, there are very few long-term leases available to people who want to farm; and so, it's a real block to a more developed agriculture industry. Right now, the large landowners don't give out very long leases; so to buy the development rights would then create the land for agriculture only and then maybe make it available. And it is a benefit to the landowners, too, because they get some compensation; so I do see it as a win-win all around.

Mr. LUCAS. Of course, in any farm bill or any legislative process, especially anybody like Congress knows, diversity is trying to educate the members to understand why, and not only we've got to this point but where we need to go from.

And your land ownership matters are just so dramatically different from Oklahoma's, which would settle under the Homestead Act of 1860-whatever and then start another 160 acres and all of that.

So, I appreciate, much like the income questions, the need for flexibility.

Mr. CASE. David, just a little more about Umikoa, because I think the contrast between Parker Ranch and you is—how big is—

Mr. MATSUURA. Two thousand acres.

Mr. CASE. What do you do on the land there?

Mr. MATSUURA. Basically, we've leased out. We're looking at doing the (inaudible) operation because we believe that ranching is a management tool versus—we're trying to adopt it for Hawaii that we can actually use it within our conservation programs. That's why I was happy that there was an exemption WRP, which is—I think it was important because cattle are (inaudible), but it will protect the (inaudible) around. And we can—so we're adopting that. We try to adapt—we kind of took a little bit radical approach over here. We decided that we would participate fully in a lot of different environmental programs, basically, to make our ranch a model for native (inaudible) station (inaudible) stewardship. We work with U.S. Fish and Wildlife heavily, but a lot of those programs—for us, it's been 12 years in doing.

And a lot of these—that's one of the biggest problems, I think, here in Hawaii. We try to do these programs, but it takes such a long time. It's a big investment. Fortunately, we are able to (inaudible) all these programs that we participate in. Financial incentives are there for us to create habitat. Look at conservation easements (inaudible) riparian waterways and preserving—and actually working with endangered species. We have a State Harper Agreement. We have a Kennedy Conservation Insurance agreement that we're working on right now. But, these are basically protection, but basically, a lot of our landowners—we are stewards of our land, as you know. We want to do what is best. If we could get a lot of those regulatory stuff, maybe we won't be involved in Government. Sometimes the regulation just kills you, which is unfortunately a lot of the ranch owners. And after a while, it's so much paperwork, so much headache, so much risk, I just rather not deal with it (inaudible).

But we do a lot. We try to do a lot in terms of looking at all these different programs and trying to really adapt these programs to our ranch and see how we can actually improve the ranch, be good stewards of the land, and still maintain a profitable ranch that we can actually (inaudible).

Mr. CASE. Would you say that at this point, the profitability of the ranch, your ranch, depends upon these programs and on your utilization of them, or is it supplemental, or what would you do if you didn't have the program? Would you go out and try to sell a portion of it—

Mr. MATSUURA. Chances are, at the rate things are going, it is pretty much at that point, I think, especially if you own a lot of land (inaudible). That's why we see a lot of efforts to vacation on the ranch. Current land leases for rental is about \$10 an acre. When your property tax is at \$2.50 to \$5 and liability insurance and everything, it's pretty hard. It really is rough. Cattle ranching is hard, unless it's your lifestyle and you have a lot of friends, especially here on Hawaii, that like to play cowboy and help you out. So, it makes it pretty hard for someone that's not into the ranching community or that has a lot of horses and has been bred into ranching. For us, it's—we look at these programs, and it is—it really is positive income for us. It employs our guys, because the programs allows us to actually work—use our own people, our own employees, to actually do some of the conservation plans, the management plans, and the conservation work.

So, I think these programs (inaudible) Hawaii ranchers as well as Hawaii—the large landowners, the farmers, to actually just get beyond that, because right now, we're pretty much all running on a fringe right now, to get us over and help us out, which I think is important. I think that's why you see an increase in people participating, because they see it as an income source to actually help use some of our—like, for our ranch, if you look at our riparian waterways, we can't use it. But, if we could do a CRP, CARP, or a WRP on that and actually put that into habitat, conservation easement, manage it, reforest it, it's great for land. It creates a watershed, too, and habitat. There are financial reserves for us to do it.

Mr. CASE. You made the statement that there are a lot of rules that don't adapt well here, and I think we've pretty much beat AGI to the ground.

Any others that come to mind? We talked about the issue of streams versus—

Mr. MATSUURA. Yes.

Mr. CASE. Is that the main one?

Mr. MATSUURA. That is the main one. Because if you notice on our lands, we have a lot of intermittent streams. We still qualify for too much, other than CRP (inaudible) Program. But I think it's kind of getting bogged down right now.

If we could actually adapt the CRP rules or the WRP rules to adopt for overall management of watersheds or riparian waterways as a general whole, I think that would greatly enhance us.

Because a lot of these programs are 100 percent funded in terms of management as well as lease and management rentals. If (inaudible), which actually helps the land. It locks the land in for a long (inaudible) opportunity, and it helps the landowner. I think once you adopt the trust between the landowners and these programs in Federal Government more, I think you'll see a lot of changes and—with the landscaping in Hawaii.

Mr. CASE. How is the outreach at the smaller ranch level in terms of the availability of these Federal programs? I just want to get a sense of—what does the community generally know or not know in terms of knowledge that the programs are there and how to go about accessing them? I assume that the larger ranches and perhaps those that belong to the Cattlemen's Association, they've

got some institutional knowledge, but there must be some smaller ranches that may not.

Mr. MATSUURA. The NRCS actually does a great job here.

Their longest employees are really long term. They know all the people. But, like I said, we try to adapt. Hawaii is so different that the programming is very, very limited as to what we can actually do on our land.

As you already know, we're the endangered species capital of the world. Everybody's a little paranoid that if we're going to create this habitat, all these endangered species are going to come on board. And the U.S. Fish and Wildlife and other Federal agencies would come on board and basically take all of our land away that—we actually did the (inaudible) first before we started up and—in terms of many of our conservation programs because we were so paranoid on that.

I think, if we can get over the paranoia of Government with the landowners, I think we can—I think we'll be doing a great thing.

Mr. CASE. It's kind of the same question on Hawaii Island, because Hawaii is under-utilized, as we've already noted. I guess part of that is we just don't have enough of a larger ranching community on Kauai to start with, but we have a lot of the smaller ranches—

Ms. YUKIMURA. We do have a lot of small ranches and especially now because the plantations have gone out of business for sugar, except for Gay and Robism. They are using the cattle companies to keep—as you say, to keep the grass down.

And there is a group—I wish Councilmember Kaneshiro was here, because he's actually a rancher himself. And they've organized, and I think this grass-fed idea—we do have more rain on Kauai, so we do have more grass on a more continuous basis. This grass-fed approach is attractive and is being developed, so there is a small growing sector that I will bring this information back to.

Mr. CASE. Mahalo.

Ms. YUKIMURA. Yes. Thank you. And so, I think we could use help there.

Mr. CASE. Thank you.

Mr. LUCAS. Thank you. With that, the subcommittee expresses its appreciation to the panel for your insights. We dismiss you. And while we're doing that, we should take time, I think, to once again thank University of Hawaii and Dr. Nishijima for the use of these wonderful facilities today.

And since we've got a moment, Doctor, if you don't mind, if you'd like to come up and explain a little bit to us about what goes on here. And I also believe that we have another councilmember from the County of Hawaii, Bob Jacobson.

Ms. YUKIMURA. Oh, he just left.

Mr. LUCAS. He just left? Well, mention to Bob that we took notes and we're pleased that he was here.

Mr. NISHIJIMA. Mr. Chairman, Representative Case, my name is Wayne Nishijima. I am the county administrator. I am with the College of Tropical Agriculture, which is the college that comes under the University of Hawaii at Manoa. We are responsible for the outreach efforts for the University of Hawaii here on the Big Island.

The cooperative extension service is able to provide services to the public and community through the work of county extension personnel. We have on the Big Island two principal extension offices, one in east Hawaii, in Hilo, and another in west Hawaii, in Kona, Kailua-Kona or (inaudible), more specifically.

We have a third extension office in northern Kohala, the northern part of the island, of researchers and—excuse me. County agents are available for individual consultations or can provide educational work jobs and other kinds of education activities governing many different aspects. Your assistant, Ryan, had told me that you're very familiar with the extension service; so I'm not going to dwell on that point. Let me show you our research stations on the islands, and the map to your right gives you a general idea of where they're at. Each station is within a unique environmental area.

Researchers and extension faculty from the college are the units of UH Manoa, UH Hilo, the Hawaii Agriculture Center, U.S. Department of Agriculture, and the U.S. Forest Service all utilize our facilities for conducting research and a variety of agriculture crops, forestries, livestock demonstrations, and unique cultural techniques, cultivars, extensive and major native plant species, and many other activities. We have a dedicated staff of 28 county agents, specialists, and researchers on the Big Island and about 40 support personnel. All of our agents work closely with staff from NRCS and other governmental agencies to help our farmers and ranches. Our outreach and research efforts are typically driven by the needs of our stakeholders.

As mentioned by others earlier this morning, our ranchers and farmers have many challenges that are unique to our island's agriculture and complicated by the changing industry from large corporate agriculture to small diversified farms. I feel that we have made an impact in helping these producers in the past and will continue to do so in the future.

Thank you for this time. I will be happy to answer questions, if you have any.

Mr. LUCAS. Well, Wayne, I'm a great believer in extension, and all the research in the world is useless if you can't make effective use of it. The Extension Service of the United States is something that probably helped us to move farther along in the efficient production of agricultural products than most people realize. Unfortunately it has been one of those things ignored in a number of ways in recent farm bills. I'm certain that it's a bill that myself and my colleagues are trying to address and correct, but I don't think I have any questions. Just, once again, thank you for the opportunity to be here.

Any questions or observation, Mr. Case?

Mr. CASE. Thank you very much. For the bonus part of the period, what's biggest demand for your services on this island? What do people want the most?

Mr. NISHIJIMA. Well, I think, because as the sugar plantations made available a lot of upland that wasn't available before. We have a lot of people coming in. As you know, we have 20 acres. What can we grow to make the most money with the least effort? And, of course, we have to go and explain the hard work that is

required in farming. But, definitely that would be the example. But, we have a lot of new farmers trying to get going, and unfortunately, many of these individuals don't have a farming background. And it's kind of tough, but we try to work with them one on one and try get them at least a head start in getting their operations started.

Mr. CASE. Any observations on the hearing that we've just had? Give us your perspective of the Federal conservation programs, from your viewpoint.

Mr. NISHIJIMA. Well, there's no doubt that these programs are valuable. Our farmers and ranchers need these kinds of support. Unfortunately, like everything else, there's not enough of it to go around and provide for all the need that's out there. But, I think, like the NRCS with the increase in the number of diversified farmers, the request for our services become stretched thinner and thinner, but, I guess, we have to make do with what we have. But everybody appreciates these support programs.

Mr. CASE. Thank you very much for the great work.

Mr. LUCAS. Thank you. And if there are no other questions, I'd like to thank the witnesses, all of the witnesses, for their time and effort to appear before the subcommittee on this important issue. And I'd also like to naturally thank our host, Congressman Case. And also, Congressman Case, you and your right-hand man, Jimmy Nakatani, for taking me around today at the Hilo Research Station.

And with that, the subcommittee would like to have the opportunity to maintain the record open for the next ten days to accept statements and any additional information that it might be presented with. With that, the subcommittee hearing is adjourned.

[Whereupon, at 10:58 a.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF JOANN A. YUKIMURA

Good morning, Mr. Chairman and members of the committee.

It is a privilege to be able to testify before your subcommittee; thank you for this opportunity to describe our efforts here in Hawaii to develop and diversify our agricultural sector and to suggest how we might partner with the Federal Government.

The protection of agricultural lands and support for a vibrant agricultural sector are crucial to building a sustainable economy, ensuring self-sufficiency and food security and maintaining a high quality of life in Hawaii. As an island state, Hawaii's economy and general well-being are uniquely vulnerable to outside forces in proportion to our dependence upon the importation of goods to our shores. By some measures, that importation of food and other goods stands at 90 percent. An increase in locally produced food, as well as locally grown energy crops (biofuels), will provide greater security to Hawaii and make the state less vulnerable to externally driven price increases, especially for food and fuel. Increased agricultural production, whether for local use or for export, will further diversify and thereby strengthen Hawaii's economy.

Over the past year, a broad group of people came together as a statewide Agricultural Working Group to consider how best to protect important agricultural lands and ensure the long-term viability of agriculture in Hawaii. Hawaii's agricultural sector is in the process of transition from a former plantation agriculture focused upon a few crops to an agricultural sector with vastly greater diversity of products. At the same time, interest in the residential development of agricultural lands has increased over the past decade and could result in the loss of significant amounts of prime agricultural land. For Hawaii to be able to develop a vigorous diversified agricultural industry, it needs to preserve its resource base of prime agricultural lands.

We recognize that Federal agricultural conservation programs are playing an important role nationwide in the preservation of agricultural lands and agricultural

production. Hawaii would like to benefit from those programs. We are particularly interested in the protection of agricultural lands through the Farm and Ranch Land Protection Program. In order for Hawaii to take advantage of this program, Hawaii must have in place local matching funding to utilize this program.

The Agricultural Working Group proposed legislation that is being considered at the State Legislature this session. One aspect of the legislation is the formation of a State Agricultural land protection program which, if enacted, will purchase and accept donations of easements on lands identified as important agricultural lands. This program could work in concert with the Federal Farm and Ranch Land Protection Program to ensure the protection of important agricultural lands.

The four counties that make up Hawaii could also provide local matching funds. I am proud to say that the voters of Kauai in 2002 approved an open space/public access charter amendment which sets aside a half percent of real property tax revenues for open space acquisition, which includes preservation of agricultural lands. To the extent that the target lands are also prime agricultural lands, our fund could provide such a match.

The agricultural lands protection legislation which is pending before the State Legislature would also mandate the various counties to each identify the respective prime agricultural lands within their jurisdictions. The intent of the bill is to identify those lands so they can be protected. The Federal Farm and Ranch Protection Program would give the counties a critical tool by which to actually accomplish such protection.

We greatly appreciate the partnership of the Congress, in particular, your Subcommittee, in our efforts.

STATEMENT OF DAVID MATSUURA

Thank you for inviting me to testify before the Subcommittee today. My name is David Matsuura and I am manager of Umikoa Ranch. I'd like to talk to you today a little about my experiences with these programs and through my experience as a rancher, forester, and former State Senator—what I see as the opportunities to use them more broadly and effectively in Hawaii.

At Umikoa Ranch, we pride ourselves on being good stewards of the land. For example, we have established the first Safe Harbor Agreement/WRP project in the nation. We created 4 wetlands and replanted surrounding uplands with native fruit bearing plants, to benefit threatened and endangered species, like the nene (Hawaiian goose) and the koloa (the Hawaiian duck). I am proud to report that koloa duck have been using and breeding in these wetlands and have seen a 200 percent increase in population per year.

We have also had success restoring native forest on my ranch. We used heavy equipment to scarify upper elevation degraded pasture and have seen a great resurgence in koa re-growth from the natural seed bank that lay beneath the pasture grass. This work was supported by USDA and the State of Hawaii's assistance and today the upper reaches of Umikoa Ranch are dense with young koa forest that supports native birds and other animals. This could help us branch out into some private forestry to supplement our ranching operation.

I know, from this personal experience, that working with voluntary farm bill conservation programs can fit in with running a working ranch and can give us a way to help address Hawaii's important conservation problems on private lands. I support the CREP and Coordinated Conservation Plan because I believe that these proposals are a great way to address some of Hawaii's biggest resource needs and to make the farm bill conservation programs work better in Hawaii.

We have a wonderful slice of paradise here in Hawaii, but it's important to understand that we also have some big environmental challenges. We're the threatened and endangered species capitol of the U.S. and the invasive species capitol. An ancient Hawaiian proverb says: Hahai no ka ua i ka ulula au (rains always follow the forest). In many places, we've lost important forest cover in high elevations and in aquifer recharge areas.

There are also enormous challenges facing agriculture in Hawaii. How can we diversify our incomes and move from one to multi-product operations that have more stable revenue? How do we protect agricultural landscapes when land prices make development increasingly hard to resist? How do we expand and maintain the niches for Hawaii specialty crops like macademia nut, coffee, chocolate and tropical fruits? How do we continue commercially viable ranching operations with volatile beef pricing, escalating land and operational costs and a climate of economic and regulatory uncertainty.

In my experience, I've seen that farm bill conservation programs could help us address important environmental issues in Hawaii. Unfortunately, many of the producers who own the most environmentally significant land my ranch included? I can't participate in farm bill programs because of the adjusted gross income provision of the 2002 farm bill, and rules that are very difficult to adhere to given land conditions. Many are ranchers and farmers who own coastal lands some of which they've leased or sold for development. Other states may have an AGI issue, but in Hawaii, our land values and historic landownership patterns make it basically impossible to really address environmental issues on private lands without an exemption from the AGI. To be effective, the Hawaii CREP and Coordinated Conservation Plans must include a waiver of the AGI. I also believe Hawaii should be allowed to either have a waiver or the ability to adjust the regulations and qualifications of the farm bill programs to fit the land and the purpose of the program. Given the topography and environmental conditions of our lands many of the farm bill programs can not be applied here.

Finally, I think the CREP and Coordinated Conservation Plans would be an enormous win/win for Hawaii. I think these proposals would restore buffers, wetlands and forest in critical places. This would decrease erosion and polluted runoff, reduce flooding, recharge groundwater and help stabilize the flow of fresh water to our streams. Restoring buffers, wetlands and buffers would also bring back more aquatic life in our streams and would benefit coral reefs. Native wildlife, including threatened and endangered species, would benefit from this habitat restoration and from invasive species control. The CREP and Coordinated Conservation Plan would benefit Hawaiian ranchers and farmers by giving us a way to participate. We haven't gotten much from these programs in the past because our circumstances are so different here than they are on the mainland. These proposals offer a way to participate in programs that are geared to address some of our most pressing environmental issues.

Thank you for your interest and I welcome any questions you have.

STATEMENT OF DIANE LEY, ON BEHALF OF SANDRA LEE KUNIMOTO

Chairman Lucas and members of the subcommittee:

Thank you for this opportunity to provide comments relative to the effectiveness of Federal conservation programs in meeting the needs of Hawaii's agricultural community. The Hawaii Department of Agriculture (DOA) is the state agency responsible for assisting our local agricultural industry in reaching its full development potential. We make it a priority to develop strong partnerships and maintain a collaborative spirit between state and Federal agencies, farmers, ranchers, educational and research institutions and others in our communities. Successful partnerships have never been so important as now, with all agencies faced with limited resources.

This subcommittee's visit to the islands of Hawaii is fitting in that our state represents some of the most challenging agricultural conservation needs in the country. We are a small state, with a unique island ecosystem. Our geology and environment is substantially different from that of the continental United States. Our soils are highly erodable and rains frequently come in down pours, resulting in flash flooding. This is the natural erosion process in a subtropical island environment. Yet, island ecosystems are a small in scale and impacts from man's activities can greatly accelerated this erosion process. We previously introduced feral animals to our watersheds and cleared forests for agriculture. Expanding urbanization and increased residential development of agricultural lands have each contributed varying degrees of erosion and pollutants to our island environment. The development and implementation of agricultural conservation programs are extremely important both to individual farm and ranch operators and the public at large, as these programs will help to ensure a strong and vibrant agriculture industry, along with a healthy environment, sustainable watersheds and flood prevention. They also offer an opportunity for landowners, farmers and ranchers to reduce their cost of complying with unfunded or unfunded environmental regulations, which are intended to reduce impacts on water resources and endangered species.

We would like to touch briefly on the impacts NRCS programs have on Hawaii's agriculture industry and offer a few suggestions to meet our unique needs and expanding opportunities for work in conservation.

NRCS programs appear to have shifted from their traditional role of providing assistance to agriculture in terms of enhanced overall productivity to one, which targets environmental goals. This has been beneficial, as NRCS conservation programs in Hawaii provide an unprecedented economic incentive for agricultural operations

to undertake specific land stewardship in areas affected by unfunded environmental mandates, such as the Clean Water Act and Critical Habitat Designations.

While ripe with opportunities, this new direction has possibly contributed to the disconnect you will hear from some farmers and ranchers. Those who are making use of the funding mechanisms provided by NRCS have praise for the programs. There are also those who are not employing the programs due to concerns that the long-term commitment to environmental programs will result in expanded habitat and increased presence of endangered and threatened species that may trigger other environmental regulations. Will they be able to carry out productive agricultural operations or will they be severely curtailed? How do we help the farmer and rancher balance the coexisting interests of agricultural production and environmental responsibility in a way that does not threaten the economic viability of the agricultural business? Education is key to bringing the parties together and maximizing the acceptance and effect of NRCS' programs.

Conservation Technical Assistance (CTA). There is tremendous need to expand efforts to deliver CTA on the ground. Over the past three decades in Hawaii, many communities have seen agriculture landownership and operations shift from a few plantations with centralized management and specialty skilled workforce to many individual small landowners. A significant number of these new landowners are not familiar with agriculture or soil conservation practices. It is critical that efforts be directed to meet these educational needs before additional soils are lost due inappropriate management techniques, which have included land clearing without a conservation plan and vertical tillage.

Environmental Quality Incentives Program (EQIP). The linkage between agriculture production and the environment has been good through the EQIP program. We are pleased that \$5 million was appropriated by Congress for this program and its sub-programs. These additional resources will help to assure adequate resources are available for implementation of structural and management practices.

Grasslands Reserve Program (GRP) Limited use of this program has been made in Hawaii. However, this is another program, which has strong potential to significantly enhance local agricultural production. In addition to existing rangelands, a significant number of former sugar and pineapple lands are being actively converted to pasture. There is a need to enhance these lands by planting new pasture grasses and establishment of innovative rotation schemes, which can significantly enhance production of livestock. For a number of years, there has been a strong movement to develop local and export markets for grass-fed beef and other livestock, creating further demand for premium rangelands.

Wetlands Reserve Program (WRP)—Wetlands have long been an important part of Hawaii's landscape and agricultural production. Hawaiians first cultivated taro nearly one thousand years ago, and today it remains an important crop. Wetlands are also important for wildlife habitat, water recharge and flood control. The WRP program offers landowners a fair market value return for their commitment to protecting these important areas. The alternative in the past has been to leave these wetlands unmanaged, resulting in invasive species over running native species, or their complete loss through development by dredging and filling.

Wildlife Habitat Incentive Program (WHIP). In the past, agriculture in Hawaii has made good use of available funding in the WHIP program. It is anticipated that the demand will rise sharply as farmers and ranchers begin to address expanded Federal programs designed to enhance critical wildlife habitats and the need for enhanced watershed systems. Recently, Critical Habitat Designations (CHD) were made in the state and these included a significant number of agricultural production acres. The installation of exclusion fencing for feral animal control and restoration of native species will be key to the success of the CHD, and WHIP program may be able to offset some of the cost to manage these properties and/or offset the inability to continue agricultural production.

Farmland and Ranch Protection Program (FRPP). Forty years ago, the State of Hawaii developed an innovative model for land use planning. Today, we are on the verge to renewing our land use programs specifically to protect important agricultural lands from development pressures. A key component in the discussions has been the fact that successful agriculture is more than just making good agricultural lands available. Economic incentives are also necessary. FRPP tools, including purchase of development rights and agricultural easements incentives, will be strongly considered as part of the full development of Hawaii's new planning model in the months to come.

Challenges to maximizing the utilization of NRCS programs. NRCS conservation grants offer new opportunities to address Hawaii's agriculture and conservation needs. However, many times Hawaii's unique island ecosystem does not lend itself to continental models and programs. New efforts need to be centered on collabo-

rative community wide approaches to develop, test, implement and transfer the technology of innovative environmental solutions.

On the Island of Oahu, continued urbanization lures large landowners to retain their properties in anticipation of future development opportunities; hence, many agricultural leases are limited to less than 5 years. This severely limits the ability of farmers to participate in conservation programs, which generally requires a 15-year commitment. Flexible use of funds could be applied to grants for cover cropping and other similar conservation methods, which are low cost but effective short-term conservation measures.

Also key is the need for flexibility in the delivery of programs and sign up timing. This year Congress appropriated \$12 million for NRCS-Hawaii's budget for conservation programs. This is exciting, but the reality is that it is likely that all funds will not be appropriated on the ground, due to the requirement that the funds be committed by May 3, 2004. NRCS simply needs more advance notice of fund availability. It takes too long to move funds from Congressional authorization to Office of Management and Budget and then to NRCS at the state level. Two months is simply not enough time to encumber the funds with qualified projects.

It is essential that we find a new way to address this challenge. One possible solution is to utilize block funding. In this case, the State NRCS office is allowed to do final allocation of a pot of funds to conservation programs. The DOA could play a role in ensuring that the allocations are to address priority issues. This would result in the funds getting down to the local level to address local priorities on a timely basis. Hawaii's unique statewide land use regulatory system that defines allowable uses in agricultural and conservation lands and employs a two-stage state and county land use change approval authority provides an administrative structure to ensure consistent and fair identification of priorities; thus, allaying concerns of arbitrary decision-making.

NRCS conservation program structure and rules emphasize equality and equity of program administration that, in turn, requires close scrutiny of applicants in top priority problem areas. To maximize the effectiveness of all programs during any fiscal year, NRCS should be allowed to move funds from one conservation program to another.

Adjusted Gross Income (AGI) It is our understanding that a problem exists for potential program participants with the AGI limitation on non-farm generated income. Hawaii does have a fairly unique situation in which the extremely high cost of land (up to \$40,000 per acre for production lands) results in land being held by a limited number of businesses. In order to survive, these businesses have diversified their operational portfolios beyond agriculture. Fundamentally, agriculture is still a key component in their overall operations, and they have a strong commitment to agriculture's future and preserving our natural environment.

Discussions are encouraged to determine alternative triggers to the AGI. These might include environmental triggers or key target areas where the implementation of conservation programs are critical to addressing environmental degradation. The establishment of state and local agency committees might oversee the development and implementation plans to verify that public funds are being appropriately applied for public purposes. Again, the DOA is willing to participate.

Partnerships & closing remarks. The challenges faced by agriculture in Hawaii are unique and many, and yet, we stand ready and committed to apply our best efforts to address them. We want to maximize opportunities for delivery and implementation of conservation programs for Hawaii's agricultural enterprises, and we look forward to working with our Federal partners to carry this out.

In closing, we would like to commend NRCS staff in Hawaii for their service to the industry. They have proven to be efficient, knowledgeable and accessible. We also thank Representative Ed Case for arranging this unique opportunity to present our testimony to you in person.

We are extremely appreciative of the level of funding Congress has provided in the 2002 farm bill. Thank you.

STATEMENT OF LARRY YAMAMOTO

Mr. Chairman and members of the subcommittee, Aloha and thank you for the opportunity to discuss the U.S. Department of Agriculture's conservation program activity in the State of Hawaii. My name is Larry Yamamoto, and I am the State Conservationist, for the Natural Resources Conservation Service (NRCS) in the State of Hawaii.

Mr. Chairman, the conservation activities undertaken by NRCS offer many exciting opportunities for agricultural producers and private landowners throughout our

state. From areas of intense agricultural production, such as those here on the Big Island, to many rural Neighbor Island communities, our agency is working hard to assist in the conservation of natural resources and increase productivity of farming.

The natural resource issues that we face here are very special. From volcanic-based soils, and endangered species protection, to unique terrain and intense rainfall characteristics, our agricultural production faces many challenges that are not found in other parts of the country. In addition, the kinds of specialty crops produced here, such as coffee and macadamias require specialized conservation assistance from our natural resource professionals. This diversity in Hawaii's agriculture and our climatic conditions require that our programs and people remain flexible as we meet the community's needs. These issues along with intense development in many areas of our state place further natural resource and economic pressure on our farmers and ranchers.

THE FARM BILL AND HAWAII

Given the exceptional characteristics of Hawaii, it is to the credit of the vision and hard work of those Members of the Agriculture Committees in Congress, that many aspects of the farm bill conservation title are applicable, popular, and effective in our state. NRCS Chief Bruce Knight, who has met with Representative Case, and has recently visited Hawaii, has expressed a deep interest in ensuring that NRCS is working effectively to meet the individual needs of farmers, ranchers, and private landowners in Hawaii. Under Chief Knight's leadership, the agency has closely examined program allocation methods, to ensure that states like Hawaii are receiving appropriate resources to address the needs. I would note that for FY 2004, Hawaii received an increase of nearly three times the amount of farm bill program funding for the previous fiscal year. This increase in program funding is especially valuable given the conversion of lands that were used for the production sugarcane to other uses. Hawaii is one of a few states that is experiencing an increase in the number of farms. It is not unusual for an area that used to be one large sugarcane plantation to be converted to more than 200 new small farms.

The 2002 farm bill offers America's farmers and ranchers more incentives than ever before to voluntarily conserve natural resources on our nation's privately owned farmland. The farm bill conservation provisions help reduce erosion, guard streams and rivers, restore and establish fish and wildlife habitat, and improve air quality. The following summary pertains to statewide financial assistance through NRCS conservation programs here in Hawaii:

Environmental Quality Incentives Program (EQIP)—Addresses significant natural resource concerns that are locally identified. In 2003, NRCS in Hawaii utilized \$2,110,000 for conservation planning, design and installation. 6300 acres in cropland, grazing land, and animal feeding operations were assisted through 37 contracts. Projects include noxious weed control, brush management, pasture hayland planting, constructing terraces, and establishing groundcover. 59 applications went unfunded, leaving a backlog of \$2,565,000. In fiscal year 2004, Hawaii received \$5,129,900 for this program, which will allow us to address the backlog and fund prospective new projects as well.

Ground and Surface Water Conservation (GSWC)—The newest opportunity to Hawaii is part of EQIP and focuses on ground and surface water conservation. This year, Hawaii is one of 32 states receiving GSWC funds to implement contracts that install irrigation related conservation practices on agricultural lands. In fiscal year 2004, Hawaii received \$1,195,600 for this program.

Grassland Reserve Program (GRP)—Helps landowners and operators restore and protect grassland, including rangeland and pastureland, and certain other lands, while maintaining the areas as grazinglands. In 2003, NRCS in Hawaii utilized \$1,292,000 on rental payments and restoration on five contracts which treat 4,893 acres. 29 applications went unfunded, leaving a backlog of \$7,528,100. In fiscal year 2004, Hawaii received \$1,321,300 for this program.

Wildlife Habitat Incentives Program (WHIP)— This program is used to develop or improve fish and wildlife habitat on private land. In 2003, NRCS in Hawaii utilized \$394,900 on seven contracts to treat 7200 acres of wetland, riparian, or upland areas. 28 applications went unfunded, leaving a backlog of \$932,900. In fiscal year 2004, Hawaii received \$506,000 for this program.

Wetlands Reserve Program (WRP)—This program is used for wetland restoration, enhancement, or creation on private land. In 2003, NRCS in Hawaii utilized \$140,000 on one contract to treat 246 acres of wetland and riparian areas. Two applications went unfunded, leaving a backlog of \$1,099,000. In fiscal year 2004, Hawaii received \$700,000 for this program.

Farm and Ranch Lands Protection Program (FRLPP)— This program is used to help state, tribal, or local government entities to purchase the development rights to keep productive farm and ranch land in agricultural use. In fiscal year 2004, Hawaii received \$1,457,400 for this program.

LOOKING AHEAD

We are proud of our accomplishments to date and look forward to many new opportunities ahead. Throughout Hawaii, our natural resource professionals are providing excellent assistance on many environmental issues, involving creating habitat for endangered species, protection of prime and unique soils, flood prevention, irrigation water management, and many, many more. Much of what I have addressed in my testimony has been program-related, however, there is an important component of technical expertise to consider as well. Ensuring that well-trained and well-equipped field staff is available to help landowners is of critical importance. Earlier this year, Chief Knight announced a new scholarship program that is very important to Hawaii. The new pilot Asian and Pacific Islander (API) Scholarship Program will offer scholarships to U.S. citizens who are seeking a degree in agriculture or related natural resource sciences at universities with high percentages of Asian and Pacific Islander students in California, Hawaii, Minnesota and the Pacific Basin Area. We know that attracting and maintaining staff in Hawaii will be challenging, and this new scholarship opportunity is an important tool to help develop a conservation leadership base for the future.

Additionally, Mr. Chairman, we in the tropics recognize the diverse and fragile agro-ecosystems that produce a significant variety of the food, commodities, and products that we consume all over America. Given the natural climatic extremes common to these ecosystems and their vulnerability to rapid and often irreversible degradation, NRCS has established a Tropical Technology Consortium to coordinate the sharing and transfer of best technology to our the region. Members of the consortium along with NRCS are the University of Guam, the University of Puerto Rico, the University of Hawaii and the University of Florida.

Mr. Chairman, again, mahalo for the opportunity to appear here today. I hope that we will have opportunities in the future to show members of the subcommittee firsthand, some of the excellent conservation work that farmers and ranchers are achieving on our islands. I would happy to respond to any questions that Members might have.

STATEMENT OF DAN DAVIDSON

Thank you for the opportunity to present testimony on the effectiveness of agriculture conservation programs in Hawaii. My name is Dan Davidson and I am the Deputy Director-Land for the Department of Land and Natural Resources and am presenting testimony on behalf of its Chairperson, Peter T. Young.

The Department of Land and Natural Resources is the state agency charged with protecting and managing Hawaii's unique natural and cultural resources. We manage over 900,000 acres of forest reserve, 110,000 acres of natural area reserves, 2 million acres of conservation district lands, 410,000 acres of coral reef, 80 percent of all coral reefs in the nation, 10 marine life conservation districts, 160,000 acres of agricultural lands, and regulate water use in 376 streams.

HAWAII NATURAL RESOURCE CHALLENGES

Of anywhere in the nation, Hawaii has unique opportunities to apply the agriculture conservation programs to address urgent, nationally important conservation needs to restore endangered species, protect the largest expanse of coral reefs in the nation, control invasive species, and protect and enhance water quality.

Hawaii has the regrettable distinction of being the endangered species capital of the world with 379 federally listed threatened or endangered species: 4 mammals, 33 birds, 5 reptiles, 45 invertebrates, and 292 plants. Many of these species are found on agricultural lands and private landowners have an important role in preserving them. For example, the endangered Hawaiian goose the nene, Hawaiian duck, and Hawaiian stilt use wetlands, riparian areas and pasture lands on private ranches such as Umi Koa Ranch on Hawaii and Ulupalakua Ranch on Maui. Agricultural lands also support populations of endangered plants. Removing weeds and replanting native vegetation in riparian areas, buffer zones and upper elevation pastures will restore native habitat and provide habitat corridors needed by endangered forest birds for movement between state and Federal conservation lands. We have

found that recovery of many of these species is contingent on forming effective partnerships with landowners. Providing stewardship incentives and regulatory protections are important tools to advance conservation. Agriculture conservation programs have the potential to benefit tens of thousands of acres in Hawaii that represents a sizeable percentage of the land area in a small island state.

In an era of increased concern for protecting and preserving coral reefs and ocean resources, Hawaii has a leadership role in stewardship of the nation's coral reefs. Clearing and other land-use practices increase the levels of sediment and nutrient pollution entering Hawaiian streams. Hawaiian streams deliver an estimated 1 million tons of sediment annually onto near shore marine environments, degrading coral reefs. Problems of erosion are further compounded because Hawaii has rainfall and runoff patterns unlike other states. Our rainfall is often flashy and extreme when it rains it pours. For example, 17 inches of rain fell in a 24 hour period in Pahala on January 29. Thousands of streams in the islands are seasonal, but when our high rainfall events occur dry streambeds fill, flood, and create erosion as they scour their beds and drain sediment into the ocean. This sediment transport and erosion is obviously greater where there are no forested buffers to slow runoff and increase infiltration coming off adjacent cleared lands.

Hawaii also faces another threat, the scourge of countless invasive species that take over habitat, displacing, predating, or out-competing native wildlife. Invasive species leave habitats that are wild in appearance but are ecological and habitat deserts with little or no wildlife or domestic stock values. Hawaii has over 5,000 introduced non-native species and over 500 harmful invasive species. Over a 100 non-native organisms become established on the islands every year. These pests range from the fruit flies that prevent the export of Hawaiian fruits to Californian and Japanese markets to tire-puncturing long thorn kiawe (*Prosopis juliflora*) that degrades range and recreation lands. We are fighting the import of the red-imported fire ant and are engaged in a battle right now, on this island, with *Miconia*, an invasive tree species that threatens the forest habitat of many of Hawaii's 379 endangered species. *Miconia* was introduced through the gardening trade before its potential impacts were known. In Tahiti, *Miconia* has completely taken over up to 70 percent of Tahiti's forests in a monoculture that is both species poor and extremely prone to massive landslides and erosion.

Although every state has these problems, the magnitude of the problems is much more severe here in sensitive island ecosystems and there are far more rare and unique resources at risk if these problems are not mitigated. More importantly what are we doing to aid private landowners in the stewardship of their lands and what more needs to be done?

HAWAII PROGRAMS TO ADDRESS CONSERVATION NEEDS

The State of Hawaii is a national leader in landscape scale public-private conservation initiatives. Private and public interest have established a series of 9 watershed partnerships encompassing more than 900,000 acres to protect, manage and sustain watersheds and water resources. The State also has developed a Natural Area Partnership Program that provides matching State funds with private funds (2:1 match) to ensure preservation of high-quality natural areas in private ownership. Hawaii has a State Forest Stewardship Program and a Landowner Incentive Program that funds forest and wildlife conservation efforts on private lands. Thousands of acres of forested watershed are being fenced and destructive pigs, goats, sheep and weeds are being removed.

Likewise, Hawaii is a leader in invasive species prevention and control on public and private lands. Hawaii is one of the first States to establish a cabinet level invasive species policy council and public-private coordinating committees in each county. State, Federal and private entities have spent millions of dollars dealing with control, containment or eradication of pests on public and private lands. Through a new initiative of Governor Lingle, now before the state legislature, we are proposing to spend \$5 million in new state money each year for the next four years to create innovative programs to keep new invaders out and build a rapid response capability to deal with invaders that arrive. All of our invasives work depends on cooperation with private landowners since these species respect no borders or boundaries.

We have learned that private landowners are willing and can help us achieve common conservation goals. The highly successful state and federally funded programs described above are primarily focused on conservation areas, forested watersheds, and natural areas. What is missing is an effective companion conservation program on agriculture lands that can augment and complement these efforts. The

Farm bill agriculture conservation programs offer that opportunity, if they are and can be structured to work in the unique agricultural setting in Hawaii.

OPPORTUNITIES FOR AGRICULTURE CONSERVATION PROGRAMS IN HAWAII

The conservation programs in the Farm bill provide tremendous benefits to the nation's environment, wildlife resources and agricultural and rural economies. Hawaii hopes to be able to share in those benefits, but, to date, has not received its fair share of the conservation program dollars. Hawaii was dead last in terms of Federal support for agriculture per dollar of agricultural value produced less than 1 cent on the dollar in FY 03. Of the approximately 34.5 million acres enrolled in the Conservation Reserve Program nationwide, only 22 acres are enrolled in Hawaii. Hawaii is far behind on obtaining its allotment under the regional equity provisions of the conservation programs.

This subcommittee hearing, Mr. Chairperson, comes at a particularly opportune time. Over the past year, we have been working with Federal agencies most significantly Reuben Flores Director of the Hawaii Farm Service Agency and Larry Yamamoto, our NRCS state conservationist—and other state agencies particularly the Hawaii Department of Agriculture private organizations like the Farm Bureau and Hawaii Cattlemen's Association to figure out how we can better use USDA conservation programs. We thought creatively about how programs could be used to best benefit Hawaii and Hawaii's farmers and ranchers, and we identified ways to adapt the details of programs to Hawaii's unique conditions. We are pursuing a Hawaii Conservation Reserve Enhancement Program (CREP) and an associated Coordinated Conservation Plan to focus these programs to address Hawaii's compelling environmental issues in key watersheds.

A CREP proposal is being considered that would enroll up to 30,000 acres of marginal pastureland and farmland into riparian buffer, wetlands and native hardwood forest in high priority watersheds. This would enhance water quality and quantity by restoring native vegetation to filter polluted runoff, help regulate runoff to streams, recharge aquifers and protect and benefit coral reefs by decreasing sediment and nutrient flow that can bury reef smothering it to death. Threatened and endangered species would benefit by establishment of native riparian, wetland and forest habitats on over 30,000 acres. In what I believe is a new approach, the State is looking at a Coordinated Conservation Plan that would provide more State involvement in other USDA conservation programs like EQIP, WHIP, GRP, and WRP to coordinate them with CREP and other State programs to achieve greater conservation benefits.

MAKING AGRICULTURE CONSERVATION PROGRAMS MORE EFFECTIVE IN HAWAII

We believe there is strong producer demand to participate in USDA conservation programs and the CREP program. However, there are some inherent barriers that prevent greater participation.

A major limiting factor to greater farm bill conservation program participation stems from Hawaii's unique patterns of landownership. Over 1.2 million of the 1.4 million acres of farmland in Hawaii are concentrated in just 100 large farming operations. To be effective, farm conservation programs need to work with the landowners that control over 80 percent of the farmland. The 2002 farm bill's adjusted gross income provision (AGI) bars individuals or entities with average adjusted gross income exceeding \$2.5 million (and less than 75 percent of that income comes from agriculture) from participating in farm bill conservation programs. The result is that many of the most significant lands are virtually impossible to enroll to address these nationally significant environmental issues.

These are real farming and ranching operations that may own real estate or other assets along the coast line that increases their total income. Their agricultural operations are real and they are not making lots of money in the current market. They do not have lots of funding for conservation efforts. We believe this situation may be unique to Hawaii. We are looking at developing a CREP proposal that would address the AGI barrier and allow large landowners to participate without reducing participation by small landowners. However, Congressional action would be needed to authorize USDA to waive the AGI provision for Hawaii.

Another need in Hawaii is in the delivery of technical assistance. There needs to be adequate technical assistance funding provided for the very popular Conservation Reserve Program and Wetland Reserve Programs. The Department is willing to assist in delivery of these programs if technical assistance grants are made available. This would take advantage of on the ground expertise of the State natural resource management agency to help coordinate with other regional conservation efforts.

One other issue affecting Hawaii's entry into the CREP program is the 20 percent matching funds requirement. Hawaii like many other states is operating with tight budgets and many priority conservation demands. Because of our limited funding for state match, we must pick and choose between worthy conservation programs to fund. We are often faced with deciding if we spend our limited match dollars on threatened and endangered species projects, watershed restoration projects, wetland restoration projects or agriculture conservation projects. All are beneficial. Providing flexibility in types of match used and timing in providing match would encourage greater participation.

Thank you for the opportunity to provide testimony. It is clear that Hawaii as an island State with a fragile island ecosystem, and a history of plantation agriculture and landownership has different issues to deal with in implementing agriculture conservation programs than most mainland States. The Department would be happy to work with your Committee Staff to further discuss ways to make the Agriculture conservation programs more effective in Hawaii.

STATEMENT OF MARK THORNE

My name is Mark S. Thorne and I am the State Range Extension Specialist for the University of Hawaii-Manoa Cooperative Extension Service. My research and extension education efforts include helping livestock producers in the state of Hawaii establish ecologically, economically, and socially sustainable grazing management practices. In addition, I work closely with state and Federal land management personnel on many important conservation issues facing the state of Hawaii. Thus, I listened intently to the testimonies given during the Subcommittee on Conservation, Credit, Rural Development and Research hearing in Hilo, Hawaii on April 8, 2004.

Two issues that were discussed during the hearing have me deeply concerned about their potential impact to ranchers and farmers in Hawaii. The first issue concerns the development of a Conservation Reserve Enhancement Program in the State. Ostensibly this plan proposes to remove some 30,000 acres of marginal private land from agricultural production for water quality, soil erosion, and threatened and endangered species protection using Federal funds. Indeed, the framers of the plan are asking for an annual allocation of up to \$9 million in funds available through several NRCS programs (75 percent of the 2004-05 \$12 million allocation) including EQIP, WHIP, GRP, and FRPP (Hawaii CREP and CCP Draft 4, March 2004). There are two important points to be considered with regards to this proposed allocation of Federal funds. First, turning over control of 75 percent of the \$12 million (2004-05) in Federal funds to a state operated CREP program hardly seems equitable when one considers that the program will only implement conservation practices on 30,000 acres while leaving only \$3 million for the remaining 1.4 million acres of agricultural land in the state. While I would agree that there are significant water quality and soil erosion issues that need to be addressed, and that threatened and endangered species protection is critical in Hawaii, I do not agree that the state (or the directors of the CREP program) is the best authority to determine what should and should not be done on private agricultural land with regards to these issues. Which brings me to my second point; annually allocating \$9 million in funds from Federal programs that are supposed to be dedicated to support of private landowner conservation efforts into a state managed program puts private agriculture producers in direct competition with the state. Unfortunately under CREP, the framers of the proposal have already determined what and how conservation practices will be implemented in the regions designated by the CREP-CCP plan. It appears that under CREP the only choice afforded private landowners in those regions is the option to participate or not. If they chose to participate, the CREP program does not appear to allow private landowners any flexibility in their conservation planning and consequently, would prevent them from developing a conservation plan that would be most economically, ecologically, and socially sustainable for them. Private producers choosing not to participate in the CREP program would, it seems, be forced to apply, through the NRCS, for a sizably smaller portion (\$3 million) of Federal dollars for their conservation plans.

The second issue discussed at the April 8 hearing that I am concerned with involves the Adjusted Gross Income (AGI) provision in the 2002 farm bill. Much of the discussion about the AGI was couched in the discussion about the CREP proposal. Proponents of the CREP program want the AGI waived because it allows large operators to participate in that program. While I support an adjustment to the AGI with regards to Hawaii, for the sake of the larger producers, and support their efforts to implement conservation programs, I do not feel that the CREP program

is the best vehicle for that adjustment and administration of those Federal funds. I believe that if the AGI is adjusted correctly, so as to allow the larger producers to enroll in the current NRCS programs that it would greatly facilitate conservation efforts in the state. However, the CREP program is not needed to direct those efforts. In fact, I believe that the CREP program, with its narrow focus, will only be a hindrance to the implementation of sound conservation practices that would assure the economic and ecologic sustainability of small and large agricultural operations alike.

Adjustments to the AGI have the greatest potential to affect small producers in Hawaii. Many small farmers and ranchers in the state are forced to work at off-farm jobs to make ends meet. These folks, many native Hawaiians, are as much farmers and ranchers as large operators, they just do not have the land resources to be self-sufficient given the economic environment in Hawaii. Any changes to the AGI must strive to not marginalize these small scale operators. While I do not know what the final solution to the AGI issue is, to be sure the solution must incorporate a broad spectrum of criteria including total ranch income, sources of income, and land tenure.

I urge caution when considering these two issues. The CREP program proposed by the state is narrowly focused (requiring \$ 9 million for 30,000 acres), seeks control of a significant portion (75 percent) of Federal dollars that should only be directed toward private landowners, and as a consequence could put those landowners in competition with the state for those Federal funds. While the CREP Program is noble in its cause, it is ill-conceived and a potential hindrance to farmer and rancher conservation efforts that would truly be economically and ecologically sustainable. Finally, adjustments to the AGI should carefully weigh the needs of small and large producers in the state with the burden not to marginalize already struggling small producers. However, if the AGI is fairly adjusted so that small and large operations can participate in conservation programs that are administered via the NRCS, as they should be, then there is no need for the proposed CREP program in Hawaii.

STATEMENT OF MICHAEL BRYAN

Chairman Lucas, and committee members: Thank you for the opportunity to testify before this committee.

Hawaii Cattlemen's Council, Inc. is the Statewide umbrella organization comprised of the five county level cattlemen's associations. Our 130+ member ranchers are stewards of over 60,000 head of beef cows; more than 75 percent of the beef cows in the State, and over 1 million acres of land, 25 percent of the State's total land mass.

It is essential to understand that agriculture conservation programs are needed, especially in Hawaii. While the state and Federal Government control vast amounts of environmentally sensitive lands, comparatively large amounts are held by both large and small private landowners. Many of these landowners are ranchers who have a sincere desire to run economically successful agricultural operations as well as act as stewards of the land. Unfortunately, these two principles may often be in conflict. Agriculture, especially ranching, generally operates on a very thin profit margin if any. As such, only a small portion of the cash, labor, and material resources are available for conservation. Without agricultural conservation programs that provide anywhere between 50 and 100 percent of the funding needed, critical conservation projects would not be undertaken.

While currently somewhat effective, most agricultural conservation programs can be improved.

There are three things that can increase the efficacy of these programs that will make them consistently worthwhile for ranchers to utilize.

Currently, the adjusted gross income (AGI) requirements for these programs exclude most of the larger ranches from participation. This simple fact undercuts the value of these programs in Hawaii, because it is these ranches that own some of the most applicable lands and, with program assistance, have the ability to undertake valuable conservation practices. As such, the AGI requirement needs to be adjusted or eliminated for cost share and other agriculture conservation programs.

Far greater sensitivity to the local environmental constraints as well as economic considerations need to be incorporated when determining and requiring project specifications. Hawaii's climactic and geologic conditions often make specifications for pipe, fencing, and management practices on the continental United States impractical here. Moreover, whether something is practical or impractical varies dramatically from one climactic and geologic zone to the next. With some ranches containing

five or six such zones, a high degree of adaptability is needed both prior to and during implementation of a program.

The perception that cattle need to be excluded from an area in order for rehabilitation of that area to occur must be dispelled. Managed cattle grazing has been proven to be a highly effective method, if not a required element in rehabilitating an environmentally degraded area. Most practices require specific types of access, fencing, and water systems and must be integrated into the current operation of the ranch on which it is to occur. As such, any agricultural conservation program has to be sufficiently flexible so as to allow the area to remain a working part of the ranch.

The first change can be made simply by amending the laws governing these programs. The second and third changes require both the amending the laws governing these programs and the placing and empowering of more agency officials in the field so as to allow them to work closely with landowners prior to signing a contract to implement such a program and during the implementation of that contract. Only by having such personnel more readily available can any newly included flexibility be effectively understood and employed.

Currently, most agricultural conservation programs approach the partnership that is formed between the supporting governmental agency and the landowner as exclusively a conservation partnership. The partnership must be both a conservation and an economic partnership. What this means is that the partnership must work openly and aggressively towards both land steward goals and the financial goals of the ranch. Otherwise, the goals of the agency and the landowner can be at odds. Generally the economic goals take precedence for the landowner and conservation goals are the primary focus of the government agency. Without the cooperation of both entities, these goals will increasingly diverge rather than converge.

In other words, the landowner may try to manipulate the parameters of the program to meet his/her economic needs and the program will, in essence, be forced to resist that manipulation. The consequence of this is that the goals of neither the program or of the landowner are met.

Currently, the potential economic benefits of these programs are presented as essentially unintended consequences rather than one of their specific intents. The reality is that because these programs are generally designed to address conservation concerns, they fail to provide the type of assistance landowners need and, therefore, maybe under utilized.

Please note that it is not the intent to shift the focus of these programs from conservation to economic stimulus. Rather, it is the intent to openly and structurally include economic stimulus as one of the accepted and supported focuses.

In doing so, not only will these programs become more appealing to the landowners for which they are intended and thus be better utilized, they would also reduce the fear of suits by third parties. If these programs can in part promote the economic goals of the landowner, then the watchdog agencies will have far less to look for in terms of the undue receipt of economic assistance and the failure to meet conservation goals.

Lastly, while the needed general changes can be made at the Federal level, the needed specific changes cannot. Only by working directly and closely with local landowners through repeated site visits can the specific adaptations be made that will allow a chosen program to achieve both the goals of the support agency and the landowner.

At this time, there is an effort underway to bring a Conservation Reserve Enhancement Program (CREP) along with a Coordinated Conservation Program (CCP) to the State of Hawaii. If successful, this effort may go a long way toward correcting some of the problems previously outlined. In particular, the CREP/CCP seeks to eliminate the AGI requirement and to make far more financial resources available. Landowners in the State are encouraged by this potential opportunity. It will not only make many agricultural conservation programs more readily available, but make them more adaptable and applicable to Hawaii's unique environmental and conservation issues.

Hawaii's ranchers already do a great deal in their capacity as stewards of the land and current agricultural conservation programs assist their efforts by reducing economic impact. However, these ranchers believe that a great deal more can be done with increased support from the government. The government has the opportunity to help ranchers do more and we encourage you to take that opportunity.

Thank you again for the opportunity to address this committee. We appreciate your time and interest in these worthwhile programs.

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