

Congress of the United States

Washington, DC 20510

April 14, 2020

The Honorable Sonny Perdue
Secretary
United States Department of Agriculture (USDA)
1400 Independence Avenue, S.W.
Washington, DC 20250

Dear Secretary Perdue:

In light of national pandemic pressures we write to request your immediate assistance through the recently enacted Coronavirus Aid, Relief, and Economic Stabilization (CARES) Act for Hawai'i's agriculture producers. The CARES Act provides \$9.5 billion for USDA assistance to producers impacted by Coronavirus Disease 2019 (COVID-19), and explicitly prioritizes:

- specialty crops;
- livestock; and
- producers that supply farmers markets, restaurants, and schools.

Many of Hawai'i's producers fall into one or more of these categories, and we request your personal attention to ensure that our state's farmers and ranchers are not inadvertently excluded due to the unique circumstances of our geography and year-round growing season. Below we highlight vulnerabilities that are unique to our agricultural industry, provide specific suggestions for administration of the \$9.5 billion, and request additional measures that the agency can take to help producers weather the pandemic and evolve operations to be stronger and more resilient.

HAWAI'I AGRICULTURE

Hawai'i's agriculture is unique in that the majority of operations are small, family-run farms. According to 2017 data, 66 percent of Hawai'i's estimated 7,328 farms (4,868 farms) were under 10 acres each and another 23 percent (1,693 farms) were between 10 and 49 acres. For comparison, in 2018 the average U.S. farm size was 443 acres. Additionally, the majority of our farms are diversified with specialty crops. Our state leads the U.S. in acres producing macadamia nut, papaya, passion fruit, taro, bananas, coffee, pineapple, and ginger root. Hawai'i also has a cattle ranching industry that contributes strong, healthy calves to the national supply chain of beef.

Across the board, our producers face higher costs than their mainland counterparts, including agricultural land, shipping, employee wages and salaries, utilities, and other operating expenses. Due to the higher value of agricultural real estate, the average farm asset value in Hawai'i – including market value of land, buildings, and equipment – is nearly double that of a U.S.

mainland farm (\$1.5 million vs. \$0.79 million). This means that the cost of doing business for farms is significantly higher in Hawai‘i than on the mainland, so federal assistance is all the more important.

Despite our unique attributes, Hawai‘i’s agricultural producers are experiencing some of the same negative pressures as that of their mainland counterparts. In 2017, producers saw a 15 percent decrease in revenues, totaling \$563.8 million, primarily due to reduced crop sales. Between higher fixed costs and declining sales, Hawai‘i’s producers were facing significant challenges even prior to the COVID-19 pandemic.

Production costs aside, COVID-19 is now causing additional disruptions due to the importance of the hospitality industry to the state’s economy. Commercial air service on March 30, 2020, was 98.5 percent lower than March 30, 2019, and major hotel operators are projecting occupancies below 20 percent for upcoming months – or a 61.2 percent decrease in occupancy from last year. Hawai‘i agriculture relies heavily on tourism demand for locally produced foods in higher-end markets. Local farmers and ranchers are facing an immediate economic crisis as their sales plummet from closed restaurant, hotel, school, and farmers’ market channels in reaction to COVID-19. As social distancing and stay-at-home orders have become the norm to combat the spread of COVID-19, the hospitality industry has reached lows not seen since the 9/11 terrorist attacks.

Quantifying the economic harm at this early stage is difficult, but it is anticipated that Hawai‘i will be one of the most impacted states by the coronavirus due to its reliance on visitor spending. The University of Hawai‘i Economic Research Organization (UHERO) projects real visitor spending to decline by 17 percent in the second quarter and forecasts an additional 4,000 job losses by the third quarter. According to the Hawai‘i Department of Labor and Industrial Relations, to date 194,000 unemployment claims, representing roughly 29 percent of the total workforce, have been filed for March and April.

Hawai‘i’s local farm production is feeling immediate impacts, and the problem is likely to get worse over time. Recovery will be long and difficult, and local agricultural producers need strong, immediate, direct federal support to remain in business. We believe that “recovery” should mean more than just survival; it should mean growth and adaptation so that farmers and ranchers can stand strong against future disasters. Accordingly, we propose the below as ways to assist our agricultural producers.

Administration of the \$9.5 Billion Fund

Small Producer Grants. With mounting expenses, a collapse of demand from typical markets such as restaurants and schools, and cancelled contracts for produce already delivered, Hawai‘i’s agricultural producers need immediate help. Fresh produce is going bad; calves cannot be shipped to the mainland to finish; inventories of less perishable

items such as coffee and macadamia nuts are backing up in storage; our pig farmers are no longer able to collect food waste from schools and restaurants to use as feed. Food is going to waste in the fields, inviting unwanted pests and disease which exacerbates current difficulties. Increasing farmers' load of debt could easily push their margins too far, and so we request that you consider either grants or loan forgiveness for small agricultural producers, including grants to incentivize the donation of food waste to local livestock farmers for feed.

Grants to Organizations Facilitating Direct Farm to Consumer Delivery. A number of organizations in Hawai'i have stepped up in assisting the delivery of farm produce to consumers. One such organization noted that they had received over 2,500 new sign-ups during just one week. With this surge in demand comes the need to secure additional labor and infrastructure, including transportation, cold storage, leases and utilities, etc. As such, we request that you provide grants to organizations that are working around the clock to ensure that fresh farm produce is provided direct-to-consumer.

Loan Forgiveness for our Next Generation of Farmers. The average age of a farmer in Hawai'i is 60 years old. We are in need of ways to incentivize a new generation of farmers to carry our agricultural industry through the coming decades. A number of Hawai'i's young farmers participate in the Rural Youth 4H Program where during any typical year, they could take out a loan through the Rural Youth Loan Program, raise their livestock, and then sell the livestock at the local fair to help pay back the loan. Due to COVID-19, there will not be local fairs and therefore, no marketplace for these youth to sell their livestock. We ask that you provide loan forgiveness to these youth so that they may continue to pursue a future in agriculture.

Flexibility in Implementation. The diversity of Hawai'i's agriculture, together with the unique opportunities and challenges of a year-round growing season, mean that typical policy assumptions about large-scale, monocrop agriculture with a winter season may inadvertently exclude or make things more difficult for Hawai'i producers. In addition to quick action, we request that you build significant flexibility for the unique agricultural producers of every state as you develop the rule to disburse this funding.

Technical Assistance. Hawai'i's farmers and ranchers are skilled experts when it comes to agricultural production, but many need support with the paperwork necessary to access government programs. The current circumstances amplify this need because of the increased reliance on web-based services, together with the new and unfamiliar programs established under the CARES Act. We urge you to provide technical assistance through both the Farm Service Agency and Rural Development for farmers and to distribute grants competitively for local service organizations and Land Grant extension agents to augment the outreach and support.

Adaptation Micro-Grants. Small-scale agricultural producers are often in a good position to reconfigure operations for different crops. This is especially true in climates that enjoy a year-long growing season. Even under the most optimistic scenarios, however, this will mean months without cash flow. Hawai‘i’s small agricultural producers that once grew crops targeted for high-end markets, such as microgreens for hotel chefs, now need to shift their production to produce targeted for individual consumers, such as lettuces. Loan forbearance/deferral is a partial solution, but micro-grants would complete the package, and provide farmers and ranchers the resources to accommodate current and future demand. We suggest micro-grants for amounts from \$15,000 to \$25,000, depending on need and the scale of the applicant’s operations.

Additional Measures to Support Farmers

Supply of Personal Protection Equipment (PPE) for the Agricultural Industry. While the agricultural industry is considered essential workforce, workers all throughout the food supply chain from the fields to the grocery stores are concerned about their individual exposure and risk to COVID-19. These individuals are providing critical services in ensuring that Americans have food on their table. We request that you consider facilitating the supply of appropriate PPE to members of the agricultural industry.

Support for Farmworkers. With revenues in sharp decline, Hawai‘i producers struggle to support their employees’ paychecks and healthcare premiums. We request that you work with the Small Business Administration and the Department of Labor to confirm the agricultural producers’ eligibility for programs created in the CARES Act.

Loan Forbearance and Deferral. Debt servicing is a fixed cost common to almost all agricultural producers, but under the present circumstances loan payments sap liquidity that farmers and ranchers need to tap new markets and reconfigure their businesses. We urge you to consider a program of loan forbearance and deferral to give farmers and ranchers a window to adjust their operations. We suggest an initial period of six months, with the option to renew for a further six months.

Expansion of Weather Disaster Programs. We understand that USDA is reticent to activate its disaster loan, crop insurance, and non-insured crop assistance programs at this time. These well-established programs are familiar to farmers, USDA employees, and Farm Credit System lenders –and will therefore have fewer administrative challenges related to implementation. While we understand concerns about weather disaster in the coming months, the historic and extraordinary scope of the COVID-19 crisis requires flexible thinking, and we request your careful consideration of using your authority as secretary to activate existing USDA response programs.

Increased Funding for the Reimbursement Transportation Cost Payment (RTCP) Program. Hawai'i's isolation creates a structural challenge unique to our producers. That is why Congress established and funds the RTCP program. As Hawai'i's producers innovate new markets to recover from the COVID pandemic, this program will become increasingly important. We request that, within existing rules and regulations, you make additional resources available for this program.

Micro-grants for Food Security Program (2018 Farm Bill). This program was designed to help increase the quantity and quality of locally grown food in Hawaii, Alaska, the U.S. territories, and the Compact of Free Association states, through small-scale gardening, herding, and livestock operations in food insecure communities (7 U.S. Code § 7518). The Agricultural Marketing Service is required to follow 2 CFR 200 compliance and risk management procedures. However doing so eliminates the very people the program is intended to help. We therefore request a one-time rule change to allow local departments of agriculture to weigh in on program implementation.

Flexible Payment Systems. Even before the current crisis, SNAP beneficiaries faced challenges accessing farmers markets and other farmer-direct products, which have been exacerbated with COVID-related restrictions. In Hawai'i some of the challenges our constituents face are: (1) limited internet access, (2) social distancing guidelines and stay-at-home orders, (3) limited or no public transportation, (4) language barriers for whom English is a second language, and (5) cyber security needs for financial transactions and personally identifying information. We request you quickly develop regulatory flexibility to ensure SNAP beneficiaries have access to farmer-direct products.

Food Hubs. Food hubs are key to helping Hawai'i's small-scale farms diversify their markets and grow their businesses. The combination of aggregation, distribution, and marketing services makes it possible for Hawai'i's farmers to gain entry into new larger-volume markets that boost their incomes and production. We request that, within existing rules and regulations, you make additional resources available to strengthen existing and establish new food hubs.

Organic Certification. USDA supports producers' transition to organic production through its National Organic Certification Cost Share Program (NOCCSP). At a time when many producers will be re-examining their business plans, we believe it makes sense to provide additional resources through the NOCCSP. While not every producer will choose this option, some may transition as they examine local demand for fresh, locally grown food. We request that, within existing rules and regulations, you make additional resources available for the NOCCSP.

Increased Funding and Use of Commodity Purchases. The COVID-19 pandemic has undermined the market for agricultural producers across the nation. In order to help all

producers rebuild, we request, within existing rules and regulations, you make additional resources available for the following USDA commodity purchase programs:

- Commodity Supplemental Food Program;
- School and Child Nutrition Food Programs;
- Food Purchase Program; and
- McGovern-Dole International Food for Education and Child Nutrition Program.

In conclusion, we ask for your serious consideration of these proposals to ensure that Hawai'i farmers and ranchers continue to be a vibrant part of the state's economy, and to protect Hawai'i's food sustainability.

Sincerely,



BRIAN SCHATZ
United States Senator



MAZIE K. HIRONO
United States Senator



TULSI GABBARD
Member of Congress



ED CASE
Member of Congress