

1 LAND USE COMMISSION

2 STATE OF HAWAI'I

3 HEARING and ACTION

4 DR11-45 PARKER RANCH, INC. (Hawai'i))

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10 TRANSCRIPT OF PROCEEDINGS

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12 The above-entitled matter came on for a Public Hearing

13 at Waikoloa Beach Marriott Resort, Naupaka Rooms V, VI

14 and VII, 69-275 Waikoloa Beach Drive, Waikoloa,

15 Hawai'i, commencing at 1:30 p.m. on September 8, 2011,

16 pursuant to Notice.

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22 REPORTED BY: HOLLY M. HACKETT, CSR #130, RPR

23 Certified Shorthand Reporter

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1 CHAIRMAN LEZY: (gavel) Good afternoon.

2 This is a meeting of the state of Hawai'i Land Use
3 Commission.

4 The first item on the agenda is the adoption
5 of minutes for the August 25, 26, 2011 meeting.
6 Commissioners, any revisions? Commissioner Judge.

7 COMMISSIONER JUDGE: Thank you. I have on
8 page No. 5 at the end of the fourth paragraph I'd like
9 to continue that sentence that currently reads
10 "Mr. Nishikawa stated that he expected water to be
11 available and described how water was expected to be
12 provided by identified water sources," and then make
13 that a comma and add "but that there was no official
14 commitment at the present time."

15 MR. DAVIDSON: Excuse me. There's two page
16 5's in the minutes. I apologize. If you keep going
17 you're going to get the second page 5.

18 COMMISSIONER JUDGE: Oh, sorry. These are
19 the minutes from the Friday meeting from August 26th.

20 COMMISSIONER HELLER: Would you reread the
21 proposed change, please.

22 COMMISSIONER JUDGE: The proposed change
23 would be an addition to the end of the sentence that
24 would state: "but that there was no official
25 commitment at the present time." The intent there was

1 that Mr. Nishikawa did state that there were potential
2 options but that there was no official commitment from
3 the County at the present time to provide water.

4 COMMISSIONER HELLER: Move to accept the
5 minutes with that correction.

6 COMMISSIONER JUDGE: Okay. I have one more.
7 Sorry. On Page 7, the third one down where it says,
8 "Commissioner Judge" I would ask to strike the second
9 sentence starting with "Mr. Spence."

10 And when I asked him that question I believe
11 it would be more accurate to say that Mr. Spence
12 confirmed there was no sidewalk providing passage to
13 the Kula Elementary School and it probably -- it would
14 probably be a County responsibility.

15 And that's all I have.

16 CHAIRMAN LEZY: Commissioners, any other
17 revisions? None. Commissioner Heller?

18 COMMISSIONER HELLER: I repeat my motion to
19 accept the minutes with the corrections as added.

20 CHAIRMAN LEZY: Second?

21 COMMISSIONER CONTRADES: Second.

22 CHAIRMAN LEZY: Thank you. All in favor?

23 COMMISSIONERS VOTING: "Aye".

24 CHAIRMAN LEZY: All opposed? Okay. The
25 minutes passed as revised. The next item on our

1 agenda is the tentative meeting schedule. Executive
2 Officer please provide that.

3 MR. DAVIDSON: Thank you, Chair. You have
4 the meeting schedule pretty much filled in through,
5 really through the rest of the year. As always
6 contact either me or Riley if you have any questions
7 or conflicts. Thanks.

8 CHAIRMAN LEZY: Thank you. The next item on
9 the agenda is a hearing and action meeting on DR11-45
10 in the matter of the Petition of Parker Ranch,
11 Incorporated, for Declaratory Order to designate
12 Important Agricultural Lands for approximately
13 56,771.8 acres at Hamakua and South Kohala, Hawai'i.

14 Will the parties please make their
15 appearances.

16 MR. TABATA: Good afternoon, Mr. Chair,
17 Members of the Commission. Curtis Tabata and Ben
18 Matsubara appearing on behalf of Petitioner Parker
19 Ranch, Inc. Also present today is Dutch Kuyper, CEO of
20 Parker Ranch, Inc.

21 CHAIRMAN LEZY: Good afternoon.

22 MR. BRILHANTE: Good afternoon, Mr. Chair,
23 Commissioners. William Brilhante, deputy corporation
24 counsel, County of Hawai'i. Also present is Ms. Bobby
25 Jean Leithead-Todd, planning director County of

1 Hawai'i.

2 CHAIRMAN LEZY: Good afternoon.

3 MR. YEE: Good afternoon. Deputy Attorney
4 General Bryan Yee on behalf of the Office of Planning.
5 With me today is Jesse Souki, director of the Office
6 of Planning and Russell Kokubun, director of the
7 Department of Agriculture.

8 CHAIRMAN LEZY: Good afternoon. Before we
9 proceed I understand that Commissioner McDonald has a
10 disclosure that he wishes to make.

11 COMMISSIONER McDONALD: Thank you, Chair. I
12 wanted to notify to the parties that the Petitioner's
13 Attorney Ben Matsubara's office has represented the
14 firm I currently work for regarding legal matters. I
15 have not personally been involved with these legal
16 matters presently or in the past. But I want to
17 disclose this to the parties.

18 Furthermore, I do not believe that this
19 constitutes a conflict of interest in any way, but I
20 wanted to point this out.

21 CHAIRMAN LEZY: Thank you. Commissioner
22 McDonald, do you feel the fact that Mr. Matsubara's
23 representation of your firm will have any effect on
24 your deliberation in this matter?

25 COMMISSIONER McDONALD: No I don't.

1 CHAIRMAN LEZY: Parties, any objections?

2 MR. TABATA: No objection.

3 MR. BRILHANTE: No objection.

4 MR. YEE: No objection.

5 CHAIRMAN LEZY: Thank you. Let me update
6 the record in this matter.

7 On June 30, 2011 the Commission received
8 Petitioner's Petition for Declaratory Order to
9 designate Important Agricultural Lands and Exhibits A
10 through D.

11 On August 1, 2011 the Commission received
12 the Office of Planning's comments on the Petition.

13 On August 2, 2011 the Commission received
14 the Department of Agriculture's comments on the
15 Petition.

16 On August 3, 2011 the Commission received
17 County of Hawai'i's comments on the Petition.

18 On August 11, 2011 the Commission received
19 correspondence from Office of Planning containing
20 copies of the comment letters for DR11-45 and from the
21 Department of Land and Natural Resources Commission on
22 Water Resource Management and the U.S. Department of
23 Agriculture Natural Resources Conservation Service.

24 On August 29, 2011 the Commission received
25 correspondence from Petitioner in response to the

1 Office of Planning's comment letters on DR11-45 dated
2 August 1 and August 11, 2011, Department of
3 Agriculture's July 29, 2011 letter and the County of
4 Hawai'i Planning Department's July 27, 2011 letter.

5 On September 6, 2011 the Commission received
6 correspondence from Petitioner to supplement their
7 letter dated August 29, 2011.

8 Mr. Tabata, has the LUC staff informed you
9 of the Commission's policy regarding the reimbursement
10 of hearing expenses?

11 MR. TABATA: Yes, they have. And we will
12 follow it.

13 CHAIRMAN LEZY: Thank you. Let me briefly
14 describe our procedures for today on this docket. I
15 will first call for those individuals desiring to
16 provide public testimony to identify themselves. All
17 such individuals will be called in turn to our witness
18 box where they will be sworn in prior to their
19 testimony.

20 After completion of the public testimony
21 portion of the proceedings, the LUC staff will provide
22 its map orientation. After staff has provided the map
23 orientation the Petitioner will make its presentation.

24 After the completion of Petitioner's
25 presentation we will receive any public comment --

1 pardon, any comments from Hawai'i County, the Office
2 of Planning and the Department of Agriculture.
3 Thereafter the Commission will conduct its
4 deliberations. Are there any questions on our
5 procedures for today?

6 MR. TABATA: No questions.

7 MR. BRILHANTE: No questions.

8 MR. YEE: No questions.

9 CHAIRMAN LEZY: Mr. Tabata, the Chair
10 intends to enter the documents submitted by the
11 Department of Agriculture, Office of Planning, Hawai'i
12 County and the Petitioner in response into the record
13 in this matter. Do you have any objections?

14 MR. TABATA: No objections.

15 CHAIRMAN LEZY: Hearing none, the documents
16 are entered into the record. Is there anybody signed
17 up for public testimony?

18 MR. DAVIDSON: We have two, Chair. We first
19 have Bob Momsen followed by Herbert Richards, III.

20 CHAIRMAN LEZY: Good afternoon have a seat.

21 BOB MOMSEN

22 being first duly sworn to tell the truth, was examined
23 and testified as follows:

24 THE WITNESS: Yes.

25 CHAIRMAN LEZY: Please state and spell your

1 name and provide your address.

2 THE WITNESS: My full name is Robert R.
3 Momsen M-O-M-S-E-N. I live at 150 Puako Beach Drive,
4 Kamuela, 96743.

5 CHAIRMAN LEZY: Thank you. Please proceed.

6 THE WITNESS: My name is Bob Momsen. I'm
7 the chairman of the North Hawaii Community Hospital.
8 I'm here to support the application of Parker Ranch on
9 behalf of the hospital. We're a 48 percent
10 beneficiary of the ranch, as Richard Smart set up his
11 trust with the intent of improving healthcare and
12 education in our community.

13 Communities are often judged by the quality
14 of their healthcare and the quality of their
15 educational opportunities provided in them. And
16 Richard Smart understood this when he left the ranch
17 in trust.

18 Anything that improves the ranch's ability
19 to prosper has a very direct, very positive impact on
20 the hospital as well as on the schools and the Hawai'i
21 Community Foundation, the other beneficiary.

22 The ranch and the greater Waimea community
23 have been in a constant state of change since the
24 ranch was founded in 1847. Local and global economic
25 conditions continue to require that the ranch adapt to

1 new circumstances, as it has done successfully over
2 the last 164 years.

3 Throughout these years of constant change
4 the ranch and the community have maintained the
5 heritage of ranching and farming and those traditions
6 that we are all so proud of.

7 This application, if approved, would allow
8 the ranch to continue to successfully adapt in the
9 current economic conditions; would allow the ranch to
10 continue to uphold and maintain the ranch's paniolo
11 traditions, and would allow the ranch to continue to
12 be an important source of support for healthcare and
13 education in our community. Thank you for your time.

14 CHAIRMAN LEZY: Thank you. Before you go,
15 any questions from Petitioner?

16 MR. TABATA: No questions.

17 CHAIRMAN LEZY: County.

18 MR. BRILHANTE: None.

19 CHAIRMAN LEZY: OP?

20 MR. YEE: No questions.

21 CHAIRMAN LEZY: Commissioners, any
22 questions? Thank you very much.

23 THE WITNESS: Thank you.

24 MR. DAVIDSON: Herbert Richards III.

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1 HERBERT RICHARDS, III
2 being first duly sworn to tell the truth, was examined
3 and testified as follows:

4 THE WITNESS: I do.

5 CHAIRMAN LEZY: Please state and spell your
6 name and provide your address.

7 THE WITNESS: Herbert M. Richards III
8 R-i-c-h-a-r-d-s Kahua Ranch, Kamuela, Hawai'i. Good
9 afternoon, Commissioners. My name is Herbert M.
10 Richards III, known to most as Tim Richards. I'm
11 currently the general manager of Kahua Ranch, Ltd., a
12 family owned and operated cattle ranch on the slopes
13 of the Kohala Mountains.

14 I am a herd health veterinarian here in
15 Hawai'i, serve as the state president for the Hawai'i
16 Cattlemen's Council, am nationally involved with the
17 cattle industry and the veterinary profession as it
18 pertains to the cattle industry. And I sit on Mayor
19 Kenoi's Agriculture Advisory Commission.

20 I'm here today to speak as an individual and
21 speak as a neighbor and fellow rancher to express my
22 support for the IAL Petition submitted by Parker
23 Ranch.

24 The agriculture industry is critical to the
25 sustainability of Hawai'i. Over the last several

1 decades, Hawai'i has increasingly imported more and
2 more of its food. This trend has occurred for a
3 variety of reasons. Our excessive reliance on cheap
4 oil is among them. We are not alone in our reliance
5 on this oil. Industries will need to rethink their
6 strategies to account for this higher energy prices.

7 Businesses in Hawai'i are not unique in
8 needing to rethink their strategies for dealing with
9 the higher energy costs. In fact, it could be argued
10 we must be more creative and aggressive in addressing
11 our energy exposure. This exposure to energy prices
12 and the burden of these costs must be mitigated by
13 increasing the amount of food we produce here locally
14 for ourselves in Hawai'i.

15 This will mean looking at agriculture as an
16 opportunity, a true business opportunity, instead of
17 just a legacy interest.

18 This will mean thinking in new and
19 innovative ways about ag and its role into the
20 sustainability.

21 MR. DAVIDSON: Excuse me, sir.

22 THE WITNESS: Yes.

23 MR. DAVIDSON: I know you're trying to meet
24 our time limit.

25 THE WITNESS: Yes.

1 MR. DAVIDSON: But could you slow down just
2 a bit for the reporter.

3 THE WITNESS: You bet. Many of us believe
4 that there is significant opportunity in agriculture
5 in Hawai'i. Many of us also believe that investing in
6 agriculture now will pay dividends into the future.
7 The future of Hawai'i depends on a vibrant and robust
8 agricultural sector. The Big Island will play a
9 crucial role in the vitality of agriculture in the
10 state of Hawai'i.

11 I fully support Parker Ranch's decision to
12 preserve these lands under their IAL Petition and
13 appreciate their efforts to support Ag, the Big Island
14 and the state of Hawai'i.

15 CHAIRMAN LEZY: Thank you. Petitioner,
16 questions?

17 MR. TABATA: No questions.

18 CHAIRMAN LEZY: County?

19 MR. BRILHANTE: No questions.

20 CHAIRMAN LEZY: OP?

21 MR. YEE: No questions.

22 CHAIRMAN LEZY: Commissioners, any
23 questions? Thank you, sir. Is there anybody else who
24 would like to provide public testimony? Hearing none,
25 Mr. Saruwatari, would you please provide the map

1 orientation.

2 MR. SARUWATARI: Okay. Staff has prepared
3 Map 1 on the wall which depicts the Petition Area.
4 The Petition Area is shown in yellow. It abuts the
5 lands within the State Land Use Conservation District
6 when are shown in green, and lands within the State
7 Agricultural District which are uncolored.

8 The Petition Area is so large it encompasses
9 several USGS quadrants. It consists of three tax maps
10 keys: 44-14-5, 44-15 portion (3) 671 portion (25).
11 As we all know at this morning's site visit the
12 Petition Area is accessible through Saddle Road via
13 Mamalahoa Highway.

14 For general orientation purposes the town of
15 Honoka'a is located at the Petition Area's
16 northernmost boundary. That concludes my staff
17 report, map orientation.

18 CHAIRMAN LEZY: Thank you very much.
19 Mr. Tabata, are you prepared to proceed?

20 MR. TABATA: Yes. Mr. Chair, if it's okay
21 with the Commission we were going to start our
22 presentation with Mr. Kuyper giving a short statement
23 and I'll follow up after him with a discussion of the
24 law.

25 CHAIRMAN LEZY: Sure.

1 MR. TABATA: Thank you.

2 MR. KUYPER: Good afternoon. My name is --

3 CHAIRMAN LEZY: I'm sorry, sir, I'll need to
4 swear you in before you testify.

5 DUTCH KUYPER
6 being first duly sworn to tell the truth, was examined
7 and testified as follows:

8 THE WITNESS: I do.

9 CHAIRMAN LEZY: Thank you.

10 THE WITNESS: Good afternoon. My name is
11 Dutch Kuyper. I'm the president and CEO of Parker
12 Ranch. Parker Ranch is unique among ranches in
13 Hawai'i for many reasons.

14 Among its unique aspects is that its
15 beneficiaries are key members of our community. Among
16 them are North Hawaii Community Hospital, Hawaii
17 Preparatory Academy, Parker School, and Hawai'i
18 Community Foundation.

19 Our largest stakeholders are Waimea and the
20 Big Island. We'd like to think that Parker Ranch is
21 home of the paniolo. The home of the Parker Ranch is
22 in Waimea, an area of our Big Island that is rich with
23 ranching and farming tradition.

24 This Petition to preserve 56,772 acres as
25 Important Agricultural Land is about preserving the

1 land use. It should be said, however, that this
2 Petition is also about preserving knowledge. The
3 knowledge of ranching and farming is passed to the
4 next generation by the ranches and farms that have
5 survived over the years and the individual ranchers
6 and farmers that choose this lifestyle.

7 Parker Ranch is a survivor. With this
8 Petition Parker Ranch looks to the future using its
9 mission as its guide. This Petition not only will
10 help the preservation of the knowledge of ranching in
11 our community, but also will help the preservation of
12 the knowledge unique to ranching of these particular
13 lands.

14 These lands were bequeathed to key members
15 of our community. In doing so Richard Smart also
16 bequeathed the knowledge of these lands and the values
17 of land stewardship integral to that knowledge to
18 subsequent generations of our community.

19 These lands are unique as is the mission of
20 Parker Ranch. Chief among the values supporting the
21 mission of Parker Ranch is the guiding principle of
22 stewardship of our natural and cultural resources.

23 We view this Petition as an important step
24 in keeping with our mission by demonstrating the
25 leadership expected of us by our beneficiaries and our

1 community in fulfilling that mission.

2 Joining me today are members of the
3 leadership team of Parker Ranch, Keoki Wood, manager
4 of livestock operations; and Brandi Beaudet, manager
5 of the land division of Parker Ranch. Mahalo. Thank
6 you for your time.

7 MR. TABATA: Mr. Chairman, members of the
8 Commission Parker Ranch, is requesting the designation
9 of approximately 56,771.8 acres of land located at
10 Hamakua, South Kohala, Island of Hawai'i, as Important
11 Agricultural Lands pursuant to HRS section 205-45.

12 Parker Ranch is not requesting the
13 reclassification of any lands with this Petition and
14 is waiving the 85/15 development credit. We are not
15 waiving any other credits including any tax credits
16 that may be available if these lands are designated.

17 Parker Ranch was founded 164 years ago and
18 has since grown and adapted to meet the challenges of
19 a changing world and is today one of the largest and
20 oldest cattle ranches in the United States.

21 Parker Ranch's current ranching operations
22 are comprised of approximately 26,000 head of cattle
23 of which 12,500 are located on the ranch. Annual feed
24 production is approximately 7.5 million pounds with
25 1,200 head sent to the slaughter house each year for

1 local consumption.

2 The designation of the proposed IAL is an
3 integral part of the ranch's long-range plan to
4 preserve and promote ranching and agriculture on the
5 Island of Hawai'i.

6 The proposed IAL meets the standards and
7 criteria for the identification of Important Ag Lands
8 under HRS Section 205-44C as the lands are all
9 currently in agricultural production, possess soil
10 qualities that support ranching, are identified under
11 agricultural productivity rating systems, have
12 sufficient water, are consistent with the County's
13 plans, contributes to a critical land mass and are
14 with supporting infrastructure.

15 Furthermore, the proposed IAL meets the
16 purpose of the Article 11 Section 3 of the Hawai'i
17 State Constitution by protecting agricultural lands
18 and promoting agriculture.

19 The proposed IAL is also consistent with the
20 objectives and policies of HRS Sections 205-42 and 43
21 by contributing to the maintenance of a strategic
22 agricultural land use base, promoting the retention of
23 IAL blocks of contiguous and functional land units,
24 and promoting the maintenance of essential
25 agricultural infrastructure.

1 Parker Ranch's Petition has received the
2 support of the Planning Department of the County of
3 Hawai'i, the State Department of Agriculture and the
4 State Office of Planning.

5 We note, however, that additional
6 information was requested regarding the ranch's water
7 system. The source of the ranch's agricultural water
8 is from the Kohakohau, Alakahi and Waikoloa Streams.
9 All three stream diversions were registered with the
10 State Water Commission in 1989.

11 The total capacity for the diversion
12 structure or the pipeline servicing all three streams
13 is 312.5 gallons per minute. That translates to
14 450,000 gallons per day.

15 The standard calculation is 10 to 15 gallons
16 of water per day per head of cattle. No water is used
17 under irrigation. The water is used by the cattle for
18 drinking. And although identified on certain maps,
19 the perennial streams within parcel 005 do not have
20 reliable or sufficient flow. All of the surface water
21 diversions originate outside of the proposed IAL.

22 We would like to thank the Commission, its
23 staff and the parties for their consideration of our
24 Petition. And we will be happy to answer any
25 questions that the Commission may have. Thank you.

1 CHAIRMAN LEZY: Thank you. Commissioners,
2 questions? Commissioner Heller.

3 COMMISSIONER HELLER: Yes. Just a brief
4 follow-up regarding the water. The 312 gallons per
5 minute that's being diverted, can you tell me what the
6 total capacity is of the sources from which you're
7 taking it? In other words, are you taking 312 out of
8 a total available of 315? Or are you taking 312 out
9 of a total available of potentially thousands?

10 MR. TABATA: Three of the 312 number is the
11 capacity for the three stream diversions. That's
12 based upon the pipeline itself. So the pipeline's
13 capacity is 312.5 gallons per minute.

14 COMMISSIONER HELLER: I understand that.
15 But the water is being taken out of the flow of these
16 rivers. My question is what is the total flow and how
17 much of it are you taking out?

18 In other words, what is being diverted is a
19 small percentage of the total water following down
20 these rivers? Or is it virtually all of the total
21 water?

22 MR. TABATA: That information we don't have.
23 I don't have that with me right now. But what's
24 registered with the Water Commission is the capacity
25 of the diversion structure. That is the pipeline.

1 That services all three streams.

2 COMMISSIONER HELLER: And that has been in
3 place you said since '89?

4 MR. TABATA: It was registered in 1989.
5 This water system has been in place for over a hundred
6 years. During that time it's been upgraded and
7 maintained. But in 1989 it was registered with the
8 Water Commission. And they have that information.
9 They also commented on our Petition. So they're aware
10 of our water system.

11 COMMISSIONER HELLER: Thank you.

12 MR. TABATA: Thank you.

13 CHAIRMAN LEZY: Commissioners, any other
14 questions?

15 COMMISSIONER MATSUMURA: Question.

16 CHAIRMAN LEZY: Commissioner Matsumura.

17 COMMISSIONER MATSUMURA: You have
18 7.5 million pounds cow/calf operation. Is that
19 combination or is that so many calves?

20 MR. TABATA: 7.5 million pounds?

21 MR. MATSUBARA: Right. It says annual beef
22 production of Parker Ranch cow/calf operation is
23 approximately 7.5 million pounds.

24 MR. RICHARDS: There's an industry practice
25 referred to as retained ownership where animals are

1 shipped. We ship our animals and calves to the
2 mainland. They're fed on pasture and finished on the
3 mainland. So that production number is our total
4 production in terms of processed animals.

5 COMMISSIONER MATSUMURA: After it's sent to
6 the mainland it's fed in the mainland that's the total
7 process. You have here, you have 1,200 heads per year
8 to the local slaughterhouse to be sold as hamburgers.

9 Basically is this the matured cows that
10 you're sending over? Then you have -- you have 200
11 heads for local slaughterhouse to participate in the
12 grass fed. Is that mostly the beef, I mean both?

13 MR. KUYPER: The 200 would be younger
14 animals that we would segregate and put on grass for
15 local grass finishing.

16 COMMISSIONER MATSUMURA: So it's both male
17 and female animals.

18 MR. KUYPER: Majority female.

19 COMMISSIONER MATSUMURA: Majority female.
20 Now, what percentage of business is coming from your
21 your wean-offs to the mainland?

22 MR. KUYPER: I'm sorry. Could you repeat
23 the question.

24 COMMISSIONER MATSUMURA: What percentage of
25 business is coming from the cattle, your wean-offs to

1 the mainland?

2 MR. KUYPER: If you look at the financial
3 results of the ranch, the weight gain that occurs on
4 the mainland is substantial 'cause we ship the animals
5 as young calves in part to help manage the
6 transportation costs. So the gain that's actually on
7 the mainland is the vast majority of the weight gain
8 on the processed animals on the mainland.

9 So as you might imagine the vast majority of
10 the revenue and expenses associated with that gain
11 is -- the majority of our revenues and expenses are
12 relative to the mainland operation.

13 COMMISSIONER MATSUMURA: And what happens to
14 those beef? I mean are they sent back to Hawai'i? Or
15 sent back to other states?

16 MR. KUYPER: There's multiple placement
17 agreements so they can go to any one of a multiple
18 ultimate destinations including Hawai'i.

19 COMMISSIONER MATSUMURA: Thank you.

20 CHAIRMAN LEZY: Commissioners, any other
21 questions? I have one question, sort of more out of
22 curiosity than anything else. What percentage of the
23 beef that Parker Ranch produces makes up the larger
24 percentage of beef consumed in the state of Hawai'i?

25 MR. KUYPER: As an industry, and Tim perhaps

1 can correct me on this, but as an industry we
2 produce -- if you combined all ranch production in
3 Hawai'i we produce less than 10 percent of the beef
4 consumed in Hawai'i.

5 CHAIRMAN LEZY: Is that Parker Ranch and the
6 other local ranches? Or is that just Parker Ranch?

7 MR. KUYPER: That's all combined ranches.

8 CHAIRMAN LEZY: How about just Parker Ranch?

9 MR. RICHARDS: It would probably be I would
10 say 40 percent?

11 MR. KUYPER: 40 percent of that 10 percent.

12 CHAIRMAN LEZY: Okay.

13 MR. KUYPER: So less than half of that.

14 CHAIRMAN LEZY: I'm just curious. Is it the
15 ranch's intent to try to increase their percentage of
16 the market share?

17 MR. KUYPER: There's a short answer to that
18 question and a long answer to that question.

19 CHAIRMAN LEZY: We'll start with the short
20 answer.

21 MR. KUYPER: Yeah. The reality is all
22 ranches in Hawai'i and agriculture in general is a
23 very energy-intensive business. And as energy prices
24 have risen, energy, transportation, anything that
25 consumes energy has become a larger, larger portion of

1 our cost structure.

2 So to mitigate those risks associated with
3 those costs most of the ranches in Hawai'i, including
4 Parker Ranch, are very aggressively looking at more
5 production in Hawai'i for domestic consumption in
6 Hawai'i. We think that business model is a much more
7 sustainable business model. So we would expect that
8 to increase actually fairly dramatically in the next
9 three to five years.

10 CHAIRMAN LEZY: Thank you very much.
11 Anything else, Mr. Tabata?

12 MR. TABATA: That's it.

13 CHAIRMAN LEZY: County?

14 MR. BRILHANTE: Thank you, Chair. The
15 County of Hawai'i stands on our previous submittals.
16 The County finds that the IAL Petition designation is
17 consistent on with the County of Hawai'i's General
18 Plan as well as the South Kohala Community Development
19 Plan. Therefore the County of Hawai'i is in support
20 of the Petition.

21 CHAIRMAN LEZY: Thank you. Commissioners,
22 any questions?

23 MS. LEITHEAD-TODD: I did want to add
24 something. This is based on a question that came up
25 and I don't think was clarified. The stream diversion

1 does not divert all of the water. The stream is still
2 running. And, in fact, below the Parker Ranch
3 diversions there are other intakes that are makai or
4 rather below where they are. I don't know the volume,
5 you know. But this is not a situation where they're
6 taking all the water. In fact the stream is still
7 flowing.

8 CHAIRMAN LEZY: Belatedly allow me to swear
9 you. Do you affirm that the testimony that you just
10 gave was the truth?

11 MS. LEITHEAD-TODD: Yes, I do.

12 CHAIRMAN LEZY: Thank you. Commissioners,
13 any questions of the county? OP?

14 MR. YEE: The Office of Planning testimony
15 will be given by the Director Jesse Souki.

16 CHAIRMAN LEZY: Mr. Souki.

17 JESSE SOUKI
18 being first duly sworn to tell the truth, was examined
19 and testified as follows:

20 MR. SOUKI: Yes.

21 CHAIRMAN LEZY: Thank you.

22 MR. SOUKI: Thank you, Chair. Office of
23 Planning will also stand on its August 1st, 2011
24 letter to the Commission. But I'd like to highlight
25 some pieces from that. One of the Administration's

1 New Day Plan priorities is to bring about an
2 agricultural renaissance in Hawai'i. The designation
3 of important agricultural lands is an important
4 component in realizing this vision.

5 The Office of Planning appreciates
6 Petitioner's participation in the voluntary process
7 for designation of IAL pursuant to section 205-45
8 Hawaii Revised Statutes.

9 The Office of Planning reviewed the
10 Petition. And the Office's review is based on the
11 Petition's exhibits, from public data available on the
12 proposed lands including analysis of spatial data
13 using GIS, Geographic Information Systems.

14 In addition, the Office requested and
15 received comments on the Petition from the U.S.
16 Department of Agriculture, Natural Resource
17 Conservation Service, Pacific Islands area office,
18 Department of Land and Natural Resources, Commission
19 on Water and Resource Management, which we forwarded
20 to the LUC on August 11, 2011.

21 We also asked for comments from the
22 Cooperative Extension Service at the College of
23 Tropical Agriculture and Human Resources, CTAR, at the
24 University of Hawai'i at Manoa. But we weren't able
25 to receive comments in time for these proceedings.

1 Based on that information we found that the
2 Petition and the proposal met at least one or more of
3 the IAL criteria under section 205-42A. For voluntary
4 IAL the Petitioner need only meet at least one of
5 these.

6 A couple issues we wanted to highlight.
7 Water was an issue that we had received concerns
8 about, wanted clarification from Department of
9 Agriculture in their letter to the Commission, the
10 USDA and Department of Land and Natural Resources,
11 CWRM. And we believe the Petitioner has adequately
12 addressed those issues in their testimony today.

13 The reason why we bring up water is the
14 Office of Planning -- we will continue to bring it up
15 in these petitions -- is our concern that when the
16 Land Use Commission does their review of IAL, which is
17 required under HRS 205-15(2), the Land Use
18 Commission's required to remove IAL from the land use
19 designations where water is not available to allow
20 profitable farming.

21 So it's always a concern for the Office of
22 Planning to look at this issue. And we believe that
23 based on the representations that there is enough
24 water available for the ongoing agricultural activity
25 that's on the property.

1 We'd also like to point out that the
2 proposed lands constitute approximately 53 percent of
3 all the land owned by the Petitioner that lies within
4 the state Agricultural Land Use District. Therefore,
5 under section 205-49(a)3 the additional land owned by
6 the Petitioner cannot be added to IAL by designation
7 under the rubric of the IAL laws.

8 Based on the available information and
9 representations by the Petitioner, and having waived
10 the IAL standards and criteria in consideration of the
11 constitutional mandated purposes in Article 11,
12 Section 3 of the Hawai'i Constitution and the
13 objectives and policies for important agricultural
14 lands in sections 205-42 and 205-43 of the Hawaii
15 Revised Statutes, the Office recommends that the LUC
16 grants the proposed IAL designation provided that the
17 LUC's approval is subject to the waiver of any and all
18 rights to the credits.

19 And with credits we are referring to those
20 credits under section 205-45(h) of the Hawai'i Revised
21 Statutes which are the 85/15 credits for streamline
22 classification for the other 15 percent. Thank you.

23 CHAIRMAN LEZY: Commissioners, any
24 questions? Mr. Kokubun would the Department of
25 Agriculture like to make a presentation?

1 MR. KOKUBUN: Mr. Chairman, no, we are going
2 to stand on our testimony in support. Also just want
3 to thank you for your questions about beef production
4 by Parker Ranch. That helped me. That was very good
5 information. I'm pleased to hear their intent to
6 increase that. Thank you.

7 CHAIRMAN LEZY: Thank you. Parties,
8 anything else?

9 MR. TABATA: Nothing else.

10 MR. BRILHANTE: Nothing else, Chair.

11 MR. YEE: Nothing further.

12 CHAIRMAN LEZY: Thank you. Commissioners,
13 what's your pleasure in this matter?

14 COMMISSIONER MATSUMURA: I have one more
15 question to the County of Hawai'i. Do you have an
16 index of all LUC lands on this island that you've
17 identified?

18 MS. LEITHEAD-TODD: I'm not sure what the
19 question is. Do we have an index of..?

20 COMMISSIONER MATSUMURA: Did you identify
21 all the important agricultural lands on this island?

22 MS. LEITHEAD-TODD: No. This is the first
23 Petition to designate any land as IAL on the island.

24 COMMISSIONER MATSUMURA: So is the county
25 going to identify lands to be considered to be

1 Important Agricultural Lands?

2 MS. LEITHEAD-TODD: We're in the preliminary
3 stages of working with the mayor's agriculture
4 committee on that. And what we're going -- to a great
5 extent because we don't have the money to hire
6 somebody to get information for us, because we realize
7 that we're not going to get any money from the state
8 to do it.

9 Because I think when the law was passed
10 there was only \$50,000 appropriated by the state to do
11 IAL statewide. And all of that money went to -- maybe
12 it was 70,000 -- but it went to Kaua'i. And then
13 Kaua'i had to appropriate another couple hundred
14 thousand dollars. And that only allowed them to do a
15 small portion of Kaua'i.

16 So what we're instead going to be doing is
17 relying on some of the mapping that has been done by
18 the Natural Resources Conservation in the past as to
19 those areas that are suitable for crop production
20 based either on available rainfall or existing water
21 systems.

22 We're hoping to run those through that
23 committee and then come up with some lands that we
24 think should then be designated as IAL. And it's
25 because I thought we should concentrate on those that

1 have water.

2 And then the other group after that would be
3 niche areas where it's not so much water, but it's the
4 unique combination of factors that allow particular
5 crops to grow in an area, for example the Kona coffee
6 lands which don't necessarily have the water
7 irrigation system. But because of the altitude and
8 the climate there is uniquely suited for coffee.

9 Then we were looking at areas in Puna where
10 you can grow papaya. So what we're trying to do is
11 look at it by crop as well as water for potential
12 growth.

13 COMMISSIONER MATSUMURA: So you really don't
14 have a methodology to identify -- let's say right now
15 Parker Ranch's identified 53 percent of their
16 properties to be IAL. You don't have any opinion it
17 should be less or more.

18 MS. LEITHEAD-TODD: Well, we responded to
19 the Petition. And it met the requirements for
20 voluntary designation of the IAL. What we were
21 particularly intrigued with was the fact that they had
22 an existing water system. Although it's not in our
23 statement, the fact that they have a water system
24 means that in the future that there's the potential to
25 do more than just ranching on the land.

1 We're also interested in the altitude of
2 some of the property because I think there's potential
3 for other types of use for the property. But the
4 other thing that was very important in our support was
5 that this was a large piece of land.

6 And I don't know that we're likely to get
7 any other petitions from a single landowner where you
8 have the opportunity to get this large a piece.

9 Yet in order to sustain agriculture in the
10 future you actually need to have an area where the
11 lands are next to each other and designated because
12 otherwise you're going to have something that looks
13 like patchwork.

14 And I really think that this is an
15 opportunity because it's a large piece of property and
16 because it does have an existing water system. Times
17 may change. It may not be ranching. But the water
18 gives them an opportunity to do other things.

19 COMMISSIONER MATSUMURA: Thank you. No
20 further questions.

21 CHAIRMAN LEZY: Commissioners, any other
22 questions? What's your pleasure?

23 COMMISSIONER CONTRADES: Mr. Chair.

24 CHAIRMAN LEZY: Commissioner Contrades.

25 COMMISSIONER CONTRADES: In the matter of

1 DR11-45 Parker Ranch, Incorporated request to consider
2 the Declaratory Order to designate Important
3 Agricultural Lands for approximately 56,771.8 acres at
4 Hamakua and South Kohala, Hawai'i, I move to approve.

5 CHAIRMAN LEZY: Is there a second?

6 COMMISSIONER JUDGE: I'll second. Could I
7 offer a friendly amendment to that, that we add two
8 conditions? And they would be -- first one would be
9 that:

10 1. The Petitioner shall comply with the
11 representations made to the LUC with respect to not
12 claiming any credits described in subsection 205-45(h)
13 HRS with respect to Petition Area.

14 No. 2. That within seven days of the
15 issuance of LUC's Decision and Order the Petitioners
16 shall record it with the Bureau of Conveyances.

17 CHAIRMAN LEZY: Commissioner Contrades?

18 COMMISSIONER CONTRADES: That's fine.

19 CHAIRMAN LEZY: Any comments to those?

20 Would you please poll the Commission, Dan?

21 MR. DAVIDSON: Thank you. To approve

22 DR11-45 as stated.

23 Commissioner Contrades?

24 COMMISSIONER CONTRADES: Aye.

25 MR. DAVIDSON: Commissioner Judge?

1 COMMISSIONER JUDGE: Yes.

2 MR. DAVIDSON: Commissioner Matsumura?

3 COMMISSIONER MATSUMURA: Aye.

4 MR. DAVIDSON: Commissioner McDonald?

5 COMMISSIONER McDONALD: Aye.

6 MR. DAVIDSON: Commissioner Makua?

7 COMMISSIONER MAKUA: Aye.

8 MR. DAVIDSON: Commissioner Heller?

9 COMMISSIONER HELLER: Yes.

10 MR. DAVIDSON: Chair Lezy?

11 CHAIRMAN LEZY: Yes.

12 MR. DAVIDSON: Motion passes 7-0, Chair.

13 CHAIRMAN LEZY: Thank you, Mr. Davidson.

14 Before we adjourn I have a couple comments I'd like to
15 make. Plainly the designation of Important
16 Agricultural Lands is very important to the state of
17 Hawai'i. I personally find this to be one of the most
18 satisfying pieces of business that the Commission
19 does.

20 With that in mind I'd like to first commend
21 and congratulation Parker Ranch for taking this
22 action. I think, as was commented before, to take
23 such a large piece of land and place it into this
24 designation says a great deal about the intent that
25 Parker Ranch has here and its commitment to its

1 community and the state.

2 I'd like to thank all the parties for their
3 work on this docket matter. I'd also like to thank
4 the staff for all their hard work, not only on the
5 docket matter but also in getting us here, getting
6 through the site visit and getting the job done. With
7 that, unless there's anything else we will stand
8 adjourned.

9 MR. TABATA: Thank you.

10 (The proceedings were adjourned at 2:15 p.m.)

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C E R T I F I C A T E

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I, HOLLY HACKETT, CSR, RPR, in and for the state
of Hawai'i, do hereby certify;

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That I was acting as court reporter in the
foregoing LUC matter on the 8th day of September
2011;

9

10

11

That the proceedings were taken down in
computerized machine shorthand by me and were
thereafter reduced to print by me;

12

13

14

That the foregoing represents, to the best
of my ability, a true and correct transcript of the
proceedings had in the foregoing matter.

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DATED: This _____ day of _____ 2011

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HOLLY M. HACKETT, HI CSR #130, RPR
Certified Shorthand Reporter

