

**Testimony Provided to the Senate Committee on Small Business and  
Entrepreneurship**

**Statement by Chris Kanazawa, Hawaii State Director**

**USDA Rural Development**

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

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

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

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

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

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

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

producers, with average farms ranging from 10 – 250 acres and gross revenues less than \$50,000.<sup>1</sup>

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

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

### **USDA Rural Development Programmatic Support**

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

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

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

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

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<sup>1</sup> Hawaii Department of Agriculture Hawaii Commercial Agricultural Expansion Survey 2021 Fact Sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Conclusion**

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

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