



**WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2021**

ON THE FOLLOWING MEASURE:

S.B. NO. 692, RELATING TO FOOD SECURITY.

BEFORE THE:

SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

DATE: Wednesday, February 17, 2021 **TIME:** 1:45 p.m.

LOCATION: State Capitol, Via Videoconference

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**

(For more information, contact Jennifer Waihee-Polk,
Deputy Attorney General, at 586-1180)

Chair Gabbard and Members of the Committee:

The Department of the Attorney General provides the following comments.

The purposes of this bill are to (1) increase Hawaii's food security; (2) maintain and facilitate local job creation by encouraging the production of locally raised cattle and locally processed beef; and (3) institute safeguards to prevent anti-competitive practices in the meatpacking industry.

Among other things, the bill limits slaughter and meat processing capacity to no more than fifty percent for house-branded meat products; requires filing of annual reports that include business plans showing existing and projected markets and sources of cattle supply; restricts the hold or control (directly or indirectly) of more than seventy percent of meat processing capacity statewide without a prior market study finding of adequate market competition by the Board of Agriculture; and allows the Department of Agriculture to require certain processing establishments to report information similar to reports required under the Livestock Mandatory Reporting Act. (We note that the Livestock Mandatory Reporting Act was codified as 7 U.S.C.A. chapter 38, subchapter 2, and has currently been extended to September 30, 2021.)

First, requiring submittals of reports similar to those required by the Livestock Mandatory Reporting Act, is pre-empted by the Livestock Mandatory Reporting Act itself, which provides: "In order to achieve the goals, purposes, and objectives of this chapter on a nationwide basis and to avoid potentially conflicting State laws that could

impede the goals, purposes, or objectives of this chapter, no State or political subdivision of a State may impose a requirement that is in addition to, or inconsistent with, any requirement of this subchapter with respect to the submission or reporting of information, or the publication of such information, on the prices and quantities of livestock or livestock products.” 7 U.S.C.A. § 1636h. The Committee should consider deleting the proposed section 159A-__(d) on page 6, lines 1-14.

Second, we understand that there is only one slaughterhouse owned by the State on Hawai'i island (and potentially one more on Moloka'i) being used by lessees leasing property from the Department of Agriculture. Because the bill would prohibit the lessees from using their property fully, they might claim that this bill constitutes a taking of property requiring just compensation or is an impairment of contract, all in derogation of the Constitutions of the United States and the State of Hawai'i.

If the Committee wishes to better support the bill against such challenges, we recommend limiting the provisions of this bill to future leases and contracts.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

**FEBRUARY 17, 2021
1:45 P.M.
VIA VIDEOCONFERENCE**

**SENATE BILL NO. 692
RELATING TO FOOD SECURITY**

Chairperson Gabbard and Members of the Committees:

Thank you for the opportunity to testify on Senate Bill 692. This bill initiates reporting requirements and safeguards to prevent anti-competitive practices in the meat processing industry. The Department offers the following comments.

This measure appears to be applicable only to “State-owned meat processing establishments.” Ordinarily, anti-competitive regulations apply to all entities within a targeted industry, regardless of ownership status, to ensure that the anti-competitive practices of concern are addressed uniformly, evenhandedly, and effectively, throughout the subject industry. If the distribution of public versus private ownership of such establishments changes, omitting privately owned meat processing establishments could impair the Department’s ability to enforce the regulatory controls statewide in a fair and effective manner.

The phrase “State-owned meat processing establishment” needs to be clarified or defined. Under standard lease provisions issued by the State, improvements on State-owned lands are often owned by the lessee unless and until the termination of the



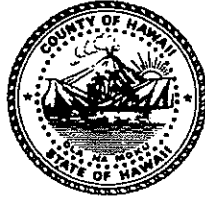
lease. Such ownership interests can be transferred between private parties by a sale and assignment of business assets. Consequently, it is possible that a facility that consists of improvements situated on State-owned lands may not be “owned” by the State.

We are concerned that the measure may confer anti-trust regulatory enforcement responsibilities on the Department that goes beyond our current scope of authority and expertise. The required reporting of proposed planning, marketing and statistical information may provide useful information for market analysis and development strategy, however, the Department lacks the expertise to determine whether data reveals predatory anti-competitive activity that is intended to be addressed by this measure. As the Department has limited number of staff statewide, the monitoring of reporting requirements and determining the validity of such would be beyond the Department’s current expertise and workload capacity.

“Meat processing capacity” is driven by technological advances and business practices within the industry. When leasing State lands, the Department does not direct or dictate how a lessee conducts its business operations. Since the Department neither tracks “meat processing capacity” measurements nor oversees how that capacity is formulated or achieved, it would not be advisable for the Department to be the regulatory authority setting or placing limitations on those activities. The department believes, however, that limiting the product output capacity of state-owned facilities could stagnate or inhibit the growth of these businesses, disincentivize the lessee from investing in capacity improvements, and adversely affect local job creation in the meat packing industry.

Thank you for the opportunity to testify on this measure.

Mitchell D. Roth
Mayor



Douglass S. Adams
Director

Dr. Sulma Gandhi
Deputy Director

County of Hawai'i

DEPARTMENT OF RESEARCH AND DEVELOPMENT

25 Aupuni Street, Room 1301 • Hilo, Hawai'i 96720-4252
(808) 961-8366 • Fax (808) 935-1205
E-mail: chresdev@co.hawaii.hi.us

SB692 - Initiates reporting requirements and safeguards to prevent anti-competitive practices in the meat processing industry.

DATE: Wednesday, February 17, 2021 TIME: 1:45 PM. PLACE: VIA VIDEO CONFERENCE

Chair Gabbard, Vice Chair Nishihara, and Members of the Committee on Agriculture and Environment,

The County of Hawai'i supports SB692 with comments. This bill initiates reporting requirements and safeguards to prevent anti-competitive practices in the meat processing industry.

The County of Hawai'i supports Senate Bill 692, Section 2-b which reads as:

(b) Lessees and operators of State-owned meat processing establishments

shall:

(1) Not use any unfair, unjustly discriminatory, or deceptive practice or device;

(2) Not make or give any undue or unreasonable preference or advantage to any particular person or locality, or subject any particular person or locality to any undue or unreasonable prejudice or disadvantage; and

(3) Shall provide slaughter and meat processing services without requiring customers, including ranchers and other producers, to surrender title to the animals to be slaughtered and processed. If the title is retained by the customer, then slaughter and meat processing services shall be provided and not limited to only slaughter services.

The County reserves comment on Sections 1, 2a, c, and d.

The County of Hawai'i would like to ensure that fair market practices are in place to maintain the vitality of the local livestock industries. Further, the County of Hawai'i supports the approach of having the interested parties work out their differences, as we are concerned that enacting SB692 may negatively impact the

livestock industries with unintended consequences. We look forward to continuing the conversation with all parties to maintain a viable cattle industry on Hawai'i island.

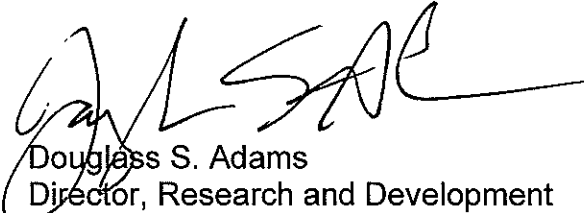
Our position is based on the following developments and practices:

The meatpacking plants on Oahu (Kapolei) and the Big Island (Paauilo) were recently purchased and the operator of these two plants currently controls approximately 75% of the beef cattle processing capacity in the State of Hawai'i. The Paauilo meatpacking facility processes approximately 90% of the beef cattle on Hawai'i island.

Hawai'i has struggled with its dependence on imported food to feed its population. There is a call to increase food production, to support the local producers, and to raise safe and healthy products. Grass-fed beef has been determined to be healthier than grain-fed beef from the mainland. Hawai'i island has many ranchers who worked for years to develop and supply their local niche markets.

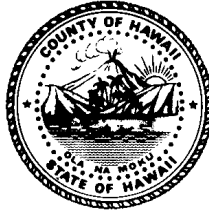
The County is concerned that the processor's business plan may upset the delicate local market that had been developed between the processor's retiring manager and the local livestock producers. The bulk of the cattle processing on Hawai'i island is controlled by the Paauilo slaughter facility. Despite controlling the cattle processing, the facility manager worked with local producers to support their individual efforts to develop the local market for their beef products. That manager will retire in March and the plans for the facility and the relationship with the local cattle industry has been vague.

Sincerely,



Douglass S. Adams
Director, Research and Development

County of Hawai'i
Council District 9 -
North and South Kohala



Phone: (808) 961-8564
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Email: tim.richards@hawaiiicounty.gov

Chair: Committee on Regenerative
Agriculture, Water, Energy, and
Environmental Management

HERBERT M. "TIM" RICHARDS, III
HAWAI'I COUNTY COUNCIL
DISTRICT 9

25 Aupuni Street, Ste. 1402, Hilo, Hawai'i 96720

February 16, 2021

Committee on Agriculture and Environment
Honorable Senator Mike Gabbard, Chair
Honorable Senator Clarence K. Nishihara, Vice Chair
Submission via online testimony

RE: **Support of SB 692**
Hearing Date/Time: February 17, 2021 at 1:45 p.m.

Dear Senators:

As the Chair of the Committee on Regenerative Agriculture, Water, Energy, and Environmental Management for the Hawai'i County Council, a 4th generation cattle rancher, livestock veterinarian with over 35 years' experience here in Hawai'i, as well as a member sitting on the Board of Directors of the U.S. Animal Health Association, an industry organization that is advisory to United States Department of Agriculture (USDA) policy, I hereby submit **testimony in STRONG SUPPORT of SB 692**, which initiates reporting requirements and safeguards to prevent anti-competitive practices in the meat processing industry.

The cattle industry in Hawai'i dates back almost 175 years, with a rich and deep heritage of the Paniolo. Part of that heritage has been providing a consistent protein supply to our state communities in the form of beef throughout the years. During the 1980's of local production and finishing, our cattle industry supplied almost 1/3 of our needs. In the last 30 years, the industry shifted; exporting most of our young cattle to the mainland, as taking the cattle to the feed made more economic sense than bringing the feed to the cattle. This went on until the late 2000's and then something changed. It was a 'back to the future' scenario. There was a reawakening interest in grass and foraged raised beef. The industry started responding to this by developing the local markets. Further, there was greater interest in food security and self-reliance and the industry continued to build in that direction. Fast forward to today, we have growing local markets that are increasing our food security while expanding the cattle agriculture economy.

Hawai'i County is an Equal Opportunity Provider and Employer

Committee on Agriculture and Environment
Honorable Senator Mike Gabbard, Chair
Honorable Senator Clarence K. Nishihara, Vice Chair
February 16, 2021

The bottleneck has always been processing. Historically, we had competing processors that vied for cattle and developed competitive pricing. If we are to expand the market going forward and have transparent cattle pricing, no one packing plant can control the packing industry, as any monopoly can be deleterious to the raw product supplier; in this case the cattlemen. We have seen consolidation in the industry over the last 100 years but checks and balances are in place as had been seen in the Packers and Stockyard Act of 1921.

This bill supports transparency and open reporting of any processor that may control 70% or more of the packing industry. I encourage the passing of this bill as it will ensure fair pricing for the cattle industry and success in the industry growing and going forward.

Please feel free to contact me should you need to discuss my position and knowledge of this matter further.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Richards", with a stylized flourish at the end.

TIM RICHARDS

Hawai'i County Council, District 9

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Council Services Division
4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawai'i 96766

February 16, 2021

**TESTIMONY OF BILL DECOSTA
COUNCILMEMBER, KAUA'I COUNTY COUNCIL
ON
SB 692, RELATING TO FOOD SECURITY
Senate Committee on Agriculture and Environment
Wednesday, February 17, 2021
1:45 p.m.
Via Videoconference**

Dear Chair Gabbard and Members of the Committee:

Thank you for this opportunity to provide testimony in **OPPOSITION** to SB 692, Relating to Food Security. My testimony is submitted in my individual capacity as a Member of the Kaua'i County Council.

SB 692 initiates reporting requirements and safeguards to prevent anti-competitive practices in the meat processing industry, but fails to address small ranching operations and their ability to access slaughterhouse services in Hawai'i. I am familiar with a slaughterhouse operation on O'ahu that intends to expand its services to assist all ranchers across the Hawaiian islands, and if passed, SB 692 will suppress that slaughterhouse's ability to expand its plant, thereby making it impossible to assist every stakeholder statewide. There are many small ranchers who would like to sell their cattle "on the hoof" and be done with it, but cannot because of the lack of slaughterhouse capability. Despite the numerous small slaughterhouses in the State, there is still a need for a larger processing plant to accommodate everyone.

Thank you again for this opportunity to provide testimony. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188 or via E-mail to cokcouncil@kauai.gov.

Sincerely,

BILL DECOSTA
Councilmember, Kaua'i County Council

AAO:lc



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Charlie Gustafson, Tamura Super Market, *Vice Chair*
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Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Beau Oshiro, C&S Wholesale Grocers, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*

TO:

Committee on Agriculture and Environment
Senator Mike Gabbard, Chair
Senator Clarence K. Nishihara, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 17, 2021
TIME: 1:45pm
PLACE: Via Videoconference

RE: SB692 Relating to Food Security

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

In recent years, a wide range of stake holders including ranchers, local food advocates, restaurants, grocery stores, and others have been working tirelessly to put Hawaii's local meat industry on a path to success. Supporting local meat means supporting local businesses, diversifying our economy and our local food supply, and growing local jobs.

This legislation would codifies existing best practices in the industry. It allows ranchers and meat producers to retain title of their product and to contract directly with retail outlets, and ensures a fair slot allocation of cattle at meatpacking plants for locally/specialty brands and the house brand. This protects the local brands developed over the years that we see in Safeway, Foodland, and KTA and continues to encourage a locally grown, grass-fed beef product. The equal 50/50 split also allows the House to prosper.

Hawaii's ranchers and meat worked hard and have invested in the growth of a local grass-fed beef sector in furtherance of the state's food security goals. The issues with the State's meat packing capacity have become a roadblock in efforts to increase local meat production. By

extension these issues are also an impediment to making Hawaii more food self-sufficient and resilient. The meatpacking plants being discussed are state-government owned assets which sit on state land and therefor the interest of the public must also be considered. Passage of this measure is an important step in allowing the local meat industry to realize its full potential for Hawaii ranchers, Hawaii businesses, and Hawaii consumers. We thank you for the opportunity to testify.



Bobby Farias
President
Hawaii Meats, LLC
91-319 Olai Street
Kapolei, HI 96707

COMMITTEE ON AGRICULTURE AND ENVIRONMENT
Senator Mike Gabbard, Chair
Senator Clarence Nishihara, Vice Chair

Re: SB 692 - OPPOSE

Wednesday, February 17, 2021, 1:45pm
VIA Video Conference

Aloha e Chair Gabbard, Vice Chair Nishihara, and Members of the Committee:

My name is Bobby Farias, part owner of Hawaii Meats LLC, I am a 3rd generation rancher from Kauai. I **STRONGLY OPPOSE** SB692. It imposes unreasonable and non-productive restrictions and requirements on the processing facilities that service the small family ranchers. I have been a part owner of the Kalaeloa Harvest facility since 2015. Over the years I have seen the growth of the local cattle industry and the opportunities for the local ranchers of Hawaii.

My family Ranch on Kauai had trouble for years getting our cattle into the local markets due to lack of slaughter and process capacity in Hawaii. This is what motivated me to get into the business. I met Frank VanderSloot early 2019 and explained to him the need for Hawaii to have a thriving slaughter/process business and that this would greatly increase Ranching opportunities, our local jobs and our local economy.

What we have all learned during COVID-19 is Hawaii needs even more food security. We need to build out all of our agriculture opportunities to the fullest so we can create some stability of our own. Like the Ranching community we are looking for growth and long-term opportunities so we can expand our ranching foot print so we can better serve our community.

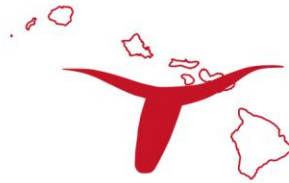
Our goal is to add facility upgrades to increase the amount of local beef available to the markets and local farmers. We would like to support all ranchers. Our aggregated house brand will allow even the small ranchers who have no marketing or branding capability to sell their cattle. The DOE contract is a great example of an opportunity for

the small Rancher to have a large contract to sell to and was only available because of the “house brand” model.

I ask the Chair and this Committee to kill this bill, as it has nothing in it that encourages a thriving Hawaii Beef Industry nor does it help grow our local economy.

Thank you for the opportunity to testify on this matter,

Bobby Farias
President of
Hawaii Meats, LLC



Hawaii Cattlemen's Council, Inc.

COMMITTEE ON AGRICULTURE AND ENVIRONMENT

Senator Mike Gabbard, Chair

Senator Clarence K. Nishihara, Vice Chair

SB692

Relating to food security

DATE: Wednesday, February 17, 2021

TIME: 1:45 p.m.

PLACE: VIA VIDEO CONFERENCE

Chair Gabbard, Vice Chair Nishihara and Members of the Committee,

The Hawaii Cattlemen's Council appreciates your hearing this important bill as it raises several critical issues for our industry which we believe involves all stakeholders. This includes the State as the lessor of the two largest packing plants in Hawaii. HCC supports the intent of SB 692 to;

- (a) provide "guard rails" to prevent possible anti-competitive practices in Hawaii's meat processing industry
- (b) ensure that all cattle producers have access to a processing facility, and the ability to retain ownership of beef through the plant if they choose to do so. A state-leased processing facility should provide a level of service to the state as a whole and not give any advantage or preference to any particular person or locality.

While HCC strongly supports addressing these issues, we find that certain provisions of the bill as drafted have raised concerns from some of our members. In an effort to truly represent the breadth of the feedback from our membership, we have opted to offer this testimony "With Comments" rather than "Support" since "Support with reservations" is not an option when filing electronically.

Specifically, our concerns include;

Section 2.a.1 - "Limit slaughter and meat processing capacity to no more than fifty per cent for house-branded meat products that are owned or controlled by the lessee and operator of the state-owned meat processing establishment." Creating a mandate could have negative consequences over time if not given flexibility to address situations when owner-retained branded products are unable to fill the 50% reserved capacity. The Packers and Stockyards Act exists to provide consequences for giving any unfair advantage or preference to an entity.

Section 2.c. - "Lessees and operators of State—owned meat processing establishments shall not hold or control, either directly or indirectly, more than seventy per cent of meat processing capacity statewide unless a market study is commissioned and reviewed by the board with a finding of adequate market competition." We do not believe the intent of this provision is to limit growth within the industry, however, as written it could be construed as such.

Most importantly, we strongly support and are encouraged to learn that since the hearing on the companion bill HB 1206, the framework for open, constructive dialogue has been initiated by Parker Ranch as the



State's largest producer and an important industry leader. Mr. Vandersloot, as owner of the leasehold interest in the two subject plants, has responded positively to the request to meet for facilitated discussion. We are optimistic that through such private sector dialogue, remedies will surface to address many of the operational issues and concerns that have been raised, including the need for additional cold storage, increased shifts to accommodate demand, any USDA inspectors needed for the operation to run. We believe in the interim that it is important to have this legislation available, possibly in some amended form, to support our industry's efforts should private dialogue break down.

Below is the Hawaii Cattlemen's Council's position on the ideal processing model that addresses economic benefits achieved by consolidation, as well as the unique challenges that Hawaii's beef industry faces and must be taken into account. We support HB1206's intent to protect against unfair monopolistic behavior of state-owned meat processing facilities. We also support the free-market system and healthy business practices. Thank you for your consideration of our comments.

Nicole Galase
Hawaii Cattlemen's Council
Managing Director

Hawaii Cattlemen's Council

Position Statement on Local Beef Production

One of the core strengths of any society lies in its ability to be self-sufficient, to feed itself. Hawaii's beef producers are committed to providing wholesome food for its community that is safe, secure and sustainable.

For most of its existence, Hawaii's beef industry has followed a conventional model with production, harvest and processing occurring within state. In the early 1990's, a combination of rising costs and inefficiencies led Hawaii producers to shift to an export calf model which remains dominant today. However, with increasing consumer demand for locally sourced food, there is renewed focus on expanding local beef production. Several private labels have emerged over the last 10 years, raising the flavor and tenderness profile for local beef, further driving demand. The groundwork for expansion has been set.

In recent years, Hawaii Cattlemen's Council (HCC) and the Hawaii Department of Agriculture (HDOA) recognized limited harvest capacities as one of the primary constraints for expanding local beef production. It has been HCC's position that each island should have access to a full complement of harvest and processing facilities. The economic benefit of efficiencies achieved with consolidation should be balanced with the unique challenges Hawaii's beef industry faces. These include;

- the vulnerability of interisland transportation of perishable goods and/or live animals as it relates to;
 - food security and safety, animal welfare, affordable shipping rates, labor disputes and equipment failure
- the need to develop and maintain a diversified economic base and skilled labor force on outer islands
- limited competitive markets
- quasi-public responsibility of state-owned food processing facilities

Among other things previously identified (see attached, "A Livestock Harvest Facility for Hawaii"), the ideal model should address;

- Flexible marketing – direct sale vs retained ownership
- Increased capacity/access for all producers to harvest, process and market
- Growth of market share through "coopetition" vs direct competition
- Compliance with regulatory planning concepts and concerns, especially as related to environmental issues
- Preservation of the integrity of locally labeled beef
- Opportunity to expand locally branded products

Our producers continue to provide high-quality grass-fed beef year-round, which serves a loyal, sustainability-minded customer base that increasingly want to know where their food comes from. HCC supports a business model that facilitates infrastructure that allows each island to maintain autonomy over its beef production from gate to plate.

A Livestock Harvest Facility for the State of Hawaii

Hawaii Cattlemen's Council



Senate Bill 1257 provides \$1.5M for the planning and design of a livestock harvest facility within the state of Hawaii. This is an ambitious initiative that represents our strong belief in the future of our industry and our commitment to building infrastructure that will help grow and expand our local markets.

Our critical need for this project is based on the following;

- a. increased consumer demand for local beef
- b. increased market demand created by expanding programs, such as our schools' Aina Pono initiative
- c. availability for producers' strategic culling programs
- d. security for animal welfare in the face of disease or drought

The Request for Proposal (RFP) for planning and design should include the following key components and deliverables from firms who will respond;

1. An analysis of a viable business/feasibility plan that addresses expected throughput, revenues, expenses and return on investment related to the operation of a new facility. Our initial recommendation for Hawaii Island is for a 5,000 head capacity that can be expanded to 10,000 head/year. This will be varied island by island. We see this information as critical to attracting capital to our state and industry.
2. Schematics and drawings of the layout of a new facility that can be adapted to meet different environmental conditions for each island and can scale up or down to meet production needs.
3. Analysis and review of technologies to support the remote locations and sensitive environments in which this facility will operate.
4. Review of the following key features of the facility itself. These features will ensure that the proposed model will meet our goal of creating a facility that serves the sustainability needs of our industry addressed through these economic, social and environmental considerations.

Economic	<ul style="list-style-type: none"> • Capacity (target steady state, initial, and ramp up) • Scalable/modular • Marketing partner • Added value/processing • Certification for specialty markets – i.e. export, BRC, GFSI • Management expertise • Transportation costs • Flexible marketing – direct sale vs retained ownership • Innovation and technology • Useful life • Potential for multi-species use • Scope of facility—slaughter, processing, and further processing capabilities • Value Added Products and Processing
Social	<ul style="list-style-type: none"> • Food safety • Worker safety • Animal well-being • Employee engagement • Central location • Affordable housing
Environmental	<ul style="list-style-type: none"> • Renewable energy • Waste disposal - bio digester • Water resources and requirements • Critical path for permits • Environmental Impact Statement • Air emissions/odor • Proximity to existing infrastructure and need for establishment of new connections to electrical, water, wastewater, and roadways.

HCC believes our industry and agriculture as a whole are at a critical crossroads. There is a great deal to be optimistic about including consumer demand for more locally sourced food, public officials who have declared a commitment to improve Hawaii’s food security, an advocate in our HDOA administration who believe in the need for Hawaii’s agriculture to thrive and people within the ranching community with the will to move our industry forward. These things combine to create powerful synergy to keep our industry and agriculture a vibrant and relevant part of our state’s economy and landscape. This project is the result of that synergy and a real, tangible move forward for the beef industry.

SB-692

Submitted on: 2/15/2021 6:41:27 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jimmy Gomes	Testifying for Ulupalakua Ranch	Support	No

Comments:

Ulupalakua Ranch supports this bil as written

SB-692

Submitted on: 2/15/2021 11:22:01 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Chad Buck	Testifying for Hawaii Foodservice Alliance LLC	Support	No

Comments:

Date: February 15, 2021

To: Chair Gabbard Vice Chair Nishihara Committee Members: Senators Acasio, Rhoads, and Fevella

Fm: Chad Buck, Owner, Hawaii Foodservice Alliance LLC Re: **SUPPORT for SB692**

Dear Chair Gabbard, Vice Chair Nishihara, and Committee Members,

Hawaii Foodservice Alliance has locally owned and operated food distribution facilities on Maui, Kauai, Oahu, and the Big Island. We employ several hundred staff members and serve every grocer, retailer, club, and c-store chain on every island, every day. Hawaii Foodservice Alliance is in full **support for SB692**.

Through a variety of very recent events, our state has allowed an out-of-state individual to take control of between an estimated 70% and 80% of all cattle slaughter and processing in Hawaii.

*Simply put, controlling slaughter and processing means you also control the ranches that raise cattle and the overall supply of local beef for local people. **This level of control should have guidelines and rules determined by the state of Hawaii rather than the will or whim of an individual.***

During the outbreak of the COVID Pandemic in Hawaii, Hawaii Foodservice Alliance was tasked by government agencies, non-profits, and the Hawaii Farm Bureau to supply local beef for those in need across our state. During this time, HFA purchased and distributed over 180,000 pounds of local beef. In order to fill this demand for our people in need, HFA worked hand in hand with the ranchers and processors in Maui, Kauai, the Big Island and Oahu.

Never before in Hawaii's history has local agriculture and local beef been more important to Hawaii and our people. Never before has an out-of-state individual taken control of State of Hawaii owned properties that process local cattle

HFA Supports this bill because SB692:

- Helps ensure open access to slaughter and processing for ALL Hawaii's ranchers.
- Protects existing programs created by our legacy ranches and enjoyed by Hawaii's grocers and consumers, from being replaced or controlled by out of state interests.
- Provides protections for all ranchers and the Hawaii consumer against the monopolization of local beef through the control of slaughter and processing.
- Creates opportunities and growth for both the processors and suppliers of local beef. • Builds a safer and more food secure Hawaii.

Thank you for allowing me to share my opinions and testimony regarding SB692

SCOTT E. ENRIGHT COMPANY LLC

To: Senator Mike Gabbard, Chair
Senator Clarence Nishihara, Vice Chair
Members of the Committee on Agriculture and Environment

From: Scott Enright, President - Scott E. Enright Company, LLC

RE: SB 692 - Relating to Food Security
February 17, 2021; 1:45pm; VIA Video Conference

Position: **OPPOSE**

My name is Scott Enright. I am the former Chairperson of the Hawaii Department of Agriculture (HDOA) and currently serve as a consultant for Riverbend Management and Hawaii Meats, LLC. I strongly oppose SB692.

Five years ago, while working for HDOA, I toured the State with Hawaii Cattlemen's Council and met with ranchers and producers from each island to determine what they needed in order for the cattle industry to flourish during the 21st century. The consensus opinion was that we needed capitalization for the back end of the business, slaughtering, harvesting, and processing of value added meat. The question we didn't answer was where the capitalization would come from. It's worth noting that the two slaughterhouses in question in this bill became state properties because the enterprises that were running them went bankrupt. The back end of the cattle business has been problematic in the State of Hawaii for a long time and it's always been about capitalization. We currently have with Riverbend Management and Hawaii Meats, LLC an enterprise capable of capitalizing the cattle industry in the State of Hawaii. Riverbend and Hawaii Meats have been operating for over a year in the State and few problems, if any, have risen. The assumption of this bill, without the benefit of negotiations between stakeholders regarding operating practices, is that the new ownership team will create problems severe enough that would want state involvement in the operations of an agriculture commodity group. This is a mistaken assumption.

I encourage the Chair and this committee to kill this bill and allow the stakeholders involved in Hawaii's cattle industry to move forward and negotiate mutually beneficial terms that will enhance the cattle industry and agriculture.

Thank you for the opportunity to weigh in on this matter.

Sincerely,

Scott Enright

SB-692

Submitted on: 2/15/2021 3:30:04 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeffery Rivera	Testifying for Kauai Ranch	Oppose	No

Comments:

My cattle are aggregated, bought , and slaughtered at the Paauilo plant. Frank's plan to open up more kill slots to small ranchers will allow the industry to expand. This bill strangles the industry by limiting the capacity of the plant and its ability to grow. We should have equal opportunity in Hawaii for all ranchers to strive; not one big ranch controlling the market. **Please defer the bill.**

SB-692

Submitted on: 2/15/2021 3:36:16 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Laurie Rivera	Testifying for Kauai Ranch	Oppose	No

Comments:

My name is Laurie Rivera. I am a small rancher on Kauai island. I have 420 head of cattle which I run on 2,000 acres of land. I strongly **oppose SB692**.

My cattle are aggregated, bought, and slaughtered at the Paauilo plant. Frank's plan to open up more kill slots to small ranchers will allow the industry to expand. This bill stangles the industry by limiting the capacity of the plant and its ability to grow. Please defer the bill.

SB-692

Submitted on: 2/15/2021 3:36:25 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark Patterson	Testifying for Kawaioloa Youth and Family Wellness Center	Oppose	No

Comments:

Aloha, My Name is Mark Patterson administrator of the Kawaioloa Youth and Family Wellness Center. Kawaioloa located in Kailua, has been ranching Cattle for the past 92 years. As the states only cattle operation, we currently have a herd of thrity-three (33) mother cows aon property and an additional 25 steers on pasture land in Waiawa.

Are herd are primarily utilized to feed theincarcerated youth population as well as the husbandry aspects of teaching the youth basic life skills and work ethic.

The ability to slaughter are cattle in a timely manner is crucial to assuring that are population recieves its meals. this becomes difficult if one organizataion holds the majority of the slaughter weekly floor space. A small operation such as ours would have to wait months just to find floor space.

In the middle of this COVID-19 pandemic and considering the bleek post COVID-19 food shortages and the ability of the public to purchase. We need to begin to draft laws that will support the entire beef industry and not just the larger producing ranchers. The solution to any problem is in the community not the few.

We have seen to many small business close around the state while the larger ones are allowed to remain open.

Economic solution should involved all ranchers for small and large so together as a community we can pull ourselves out of this pandemic.

Mahalo

SB-692

Submitted on: 2/15/2021 4:30:51 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kyle Schumacher	Testifying for Halaulani Ranch	Oppose	No

Comments:

Thank you for giving me the opportunity to express my concerns over proposed bill SB692.

As a small cattle ranch operation I am alarmed at the proposed bill. I feel that this bill would do the exact opposite of what it intends. I feel it would limit growth and the capacity just when we need to be expanding.

The state of Hawaii has been promoting sustainability for both food and electricity for the past couple of years. This bill is a contradiction to that goal.

I am also aware of how much paper work goes into a certified USDA Slaughter house, the added paper work is unnecessary and a burden to our smaller plants.

At the end of the day, if I had to choose to sell my cattle to Paniolo Cattle Co to sustain their vision, versus send my cattle to the mainland. I would ship my cattle out.

I feel this will kill the smaller ranchers and our way of life.

Sincerely,

Kyle Schumacher

SB-692

Submitted on: 2/15/2021 6:38:37 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Zanga Schutte	Testifying for Z Bar Ranch	Oppose	No

Comments:

My name is Zanga Schutte. I am a small rancher on the Big island. I have 700 head of cattle which I run on numerous acres of land. I strongly oppose SB692. By expanding capacity at the Big Island plant, ranchers such as myself will be able to sell and slaughter our animals. Access to small ranchers to kill slots at the facility has been limited by the dominance of large ranchers such as Parker Ranch. This bill will only make matters worse. Parker Ranch continues to try and control their position in this industry with SB692. Parker Ranch has had a monopoly in the slaughter industry for decades. Please help small ranchers — kill this bill. Parker Ranch has dominated the cattle industry, it should not be allowed to dominate the processing industry too. We all want a seat at the table. My cattle need to be slaughtered and marketed too. I believe there is room for every rancher Big or Small to be able to have their voices heard and a place to process their cattle. This is a business matter between both parties to come to an agreement and not to be settled by the senate. Please help the small ranchers. Kill the bill.

Thank you

SB-692

Submitted on: 2/15/2021 8:36:38 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Tom Lappe	Testifying for Hawaii ranches	Oppose	No

Comments:

My name is Tom Lappe, as the manager of kipu ranch I vigorously oppose sb692. If this bill passes there will be an uneven playing field for small ranches now and in the future. This bill is not for us. Only large ranches will game. With the world today there should not be any monopolization. This bill only helps large cattle ranches. The only fair thing to do is to stop this bill and increase capacity so the ranchers have fair availability two more slots. Not just ranchers will feel the gain. Everyone from the ranch to the plate will benefit.



Email: communications@ulupono.com

SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT
Wednesday, February 17, 2021 — 1:45 p.m.

Ulupono Initiative supports SB 692, Relating to Food Security.

Dear Chair Gabbard and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono supports SB 692, which initiates reporting requirements and safeguards to prevent anti-competitive practices in the meat processing industry.

Ulupono has worked for many years to increase local grass-fed beef production in the State. One way in which we have done so is by partnering with Parker Ranch to form Paniolo Cattle Company (PCC) which produces grass-fed beef exclusively for local consumption. Beyond PCC, Ulupono supports the entire local livestock industry and its ability to process within the State and therefore welcomes new investment and expansion of processing capacity within the state. However, with more than 70% of meatpacking capacity in the state now owned/controlled ultimately by a single person/entity there is a considerable risk to competition and fair market access. With both Hawai'i Beef Producers on Hawai'i island and the O'ahu Kalaeloa slaughterhouse under common ownership, the market has been consolidated to a level that causes real concerns. This bill does not prevent investment in or expansion of meatpacking capacity in the state. It ultimately ensures fair market access and transparency, which is entirely appropriate, as both plants are on Hawai'i Department of Agriculture leases. This bill will ensure the following:

1. 50% of capacity is made available to non-house brands—ensuring that brands owned/controlled by the meatpacker cannot limit access to processing for independent producers with their own brands;
2. Annual reporting of plans/statistics for the packing plants for transparency and stakeholder engagement;
3. Non-discriminatory access to slaughter and processing services;

Investing in a Sustainable Hawai'i

4. The survival of independent brands by not allowing the meatpacker to require producers to surrender title (sell their cattle to the meatpacker for the meatpacker's house brands);
5. The meatpacking industry will not be able to consolidate further (beyond 70%) without the production of a market study to further examine market access, transparency and competition.

We believe the above actions are quite reasonable and necessary to ensure that all producers have access to slaughter and processing services. Furthermore, since both meatpacking plants are ultimately State assets, we believe the State has an obligation to ensure nondiscriminatory access for all producers, including those that wish to maintain their own brands and programs with retailers. It is fair to note that those with this high level of control over Hawai'i's meatpacking industry may never attempt to abuse their market power. However, this legislation ensures that there will not be any abuse.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

TESTIMONY IN OPPOSITION TO SB 692
Committee on Agriculture & Environment
Hearing: February 17, 2021

Dear Chair Gabbard, Vice Chair Nishihara and Members:

This bill is a wolf in sheep's clothing; it addresses problems that do not exist by imposing ham-handed "solutions" that, in reality, are designed to benefit only a few ranches, to the detriment of the majority of ranchers throughout the State. If passed, it will damage the industry and violate the vested legal rights of the current operator of the targeted meatpacking plants on Oahu and the Big Island (the "Plants").

The bill is based on the false premise that imminent action is needed to protect consumers, local ranchers, and the industry at large from imminent threats. In fact, it promotes only the interests of the current dominant Big Island producers based upon a false narrative about the state of the industry and the challenges that must be overcome to expand local beef production for our Islands. Worse, it seeks to impose unnecessary and even illegal requirements on the current lessee/operator even though the operator has (1) committed to improving market opportunities for ranchers statewide, and (2) neither said or done **anything** to warrant criticism, much less the burden of legislation that is premised on fear of non-existent anti-competitive practices.

There is no doubt that the limited current capacity of the Plants is impacting the growth of the local beef industry. But that is a problem that existed long before the current owner acquired the Plants, and, it is exactly why the new investor, Frank Vandersloot,¹ has committed millions of dollars to expand capacity and

¹ Mr. Vandersloot, the founder of Melaleuca (www.melaleuca.com), is the principal investor in Hawai'i Meat Company. A rancher himself, Mr. Vandersloot is well known for his support of farmers and other charitable works. For example::

- <https://www.idahofallsmagazine.com/2014/01/dairyman-frank-vandersloot-saved-my>
- <https://www.cnbc.com/2019/05/02/billionaire-unveils-fund-to-defend-people-from-medical-debt-collectors.html>
- <https://www.redcross.org/local/idaho/about-us/news-and-events/news/When-disasters-strike-Melaleuca-delivers-supplies-hope.html>

To Senate Committee on Agriculture & Environment
Page 2

developed plans for streamlining processing statewide to make the Big Island plant more accessible to the many ranchers who need the Plants to slaughter, process, package, distribute, and sell their beef. In short, Mr. Vandersloot seeks to expand the market, instead of allowing continued domination by Parker Ranch (in Kamuela) and Kuahiwi Ranch (in Ka`u), which have, until recently, controlled over 70% of the processing capacity of the Big Island plant.

Only big ranches like Parker and Kuahiwi can develop recognized brands and vertically integrated operations that take cattle from field to supermarkets. All other ranchers, large and small, depend on processors, such as the Plants, to do more than just slaughter and cut. They require packaging, distribution and marketing, which the Plants provide. The cattle these other farmers produce are marketed under the Plants' "house brand." Currently, 50% of the cattle processed by the Plants (including some from Parker and Kuahiwi) are sold under a "house brand." Thus, under this bill, it is impossible for those brands to grow.

Because the Plants provide essential services for the ranchers who produce 80% of Hawai`i's cattle and do not have their own brands, the Plants are in direct competition with the larger vertically integrated operations with respect to distribution and sales of processed beef. This bill would hamper small ranchers' ability to compete, which will hurt ranchers who need the Plants to get their beef to market. It would benefit Parker and Kuahiwi--based upon false premises, groundless fears, and anti-competitive operating restrictions.

Specifically:

- The bill describes a federal regulatory regime which is robust and well-developed. There is no reason to believe that the federal rules are inadequate for Hawai`i. Another layer of bureaucracy is not needed and cannot be justified in the absence of evidence of some wrongdoing. Here, there is none.
- The bill says nothing to show why further regulation is needed: there is no suggestion that the owner of the Plants has threatened, much less taken, any anti-competitive action against anyone. Indeed, the opposite is true; the planned expansion and the operational changes proposed by the Plants' owner will expand market opportunities and increase competition statewide.

To Senate Committee on Agriculture & Environment
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- The State does not “own” the Oahu Plant. Under the lease, it owns the ground, but the improvements belong to the lessee.
- Neither of the existing leases contains any provision allowing the State to control the operations or other business activities of the lessee. Imposing such terms on a party to an existing agreement will create an illegal uncompensated “taking” and violate the Contract Clauses of the Hawai`i and U.S. Constitutions. The illegal new burdens include, for example, the requirement that the operator provide “processing services” in addition to “slaughter services” and the restrictions on (1) the amount of business that the Plants can do with ranchers who produce cattle that must be marketed under “house brands” and (2) expansion that is essential to establishing an economically viable operation.
- The proposed new provisions banning unfair competition are entirely unnecessary. Hawai`i law (H.R.S. Chapter 480) already bans all types of unfair competition. Moreover, targeting only operators of “State-owned meat processing establishments” (a restriction that applies only to the Big Island) is irrational and a violation of equal protection. All market participants should be subject to the same laws.
- The prohibition against expansion by “[l]essees and operators of State-owned facilities” which hold or control “more than seventy per cent of meat processing capacity” will:
 - Derail current plans to expand capacity, to the detriment of consumers and small ranchers, even though (1) no one disputes the need for additional processing capacity, (2) the Plants need added production to operate profitably, and (3) no one else is clamoring to create new meatpacking facilities.
 - Unfairly and illegally restrict the operations of the current Plant owner, but no one else.
 - Unfairly put the decisions about whether and when to allow expansion in the hands of the Board of Agriculture, which lacks the funds, staff, and expertise to assess whether there is “adequate market competition” in this area.

To Senate Committee on Agriculture & Environment
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- Limit the processing capacity perpetually if, as seems clear, there is no competitor seeking to develop new facilities. Currently, more than 50% of the output of the Plants is sold under the house brands. Therefore, the bill forecloses any expansion of those brands, which blocks new marketing opportunities for the Plants and, thus, for the ranchers who don't have their own brands. This means the bill will permit only Parker and Kuahiwi to grow their market share.
- Limit the operations based on historical data regarding processing capacity which has no relevance to current market conditions, which hurt small producers, and which undermine the Plant owner's investment-backed expectations. And,
- The imposition of reporting requirements that overlap with the requirements of federal law is wasteful and unnecessary. There is no evidence that imposing such demands will in any way producers, regulators or consumers. It is simply make-work for the Plants and the Department of Agriculture.

Mr. Vandersloot and his management team are committed to growing the local beef industry in a way that helps small ranchers and consumers. This bill--which has significant legal flaws--will undermine those efforts for the benefit of a handful of companies. Since there is no evidence of abuses that require legislative oversight, it should not be approved.

SB-692

Submitted on: 2/16/2021 8:27:46 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Anthony P Silva	Testifying for Hawaii ranches LLC	Oppose	No

Comments:

Aloha my name is Anthony Silva I am a cattle rancher my family has been raising cattle here in Kauai since before I was born as a kid my uncles and grandfather instilled in me to set goals to raise slaughter and process be here in Hawaii today I am the manager for Hawaii ranches LLC we run a cow calf operation we keep our calves and finish them on grass to help supply Hawaii meats on the wahoo and how are you beef produces on the big island we also purchased Wiens feeders and finish cattle from small local ranchers here on Kawai to help supply the demand for grass fed beef stew Hawaii meats and Hawaii beef producers I am opposed to Bill SB 692 Because without expansion of The both plants resupply and giving expansion limits to the facilities it will severely limit the local ranchers ability for growth and profits and put the idea of a food secure Hawaii in jeopardy how are you meets in Hawaii before the receivers has worked so hard to make local slaughter and processing available to all ranchers big and small all the time this will not only limit that but also crush the ability to get the volume needed to keep slaughter in processing competitive with the mainland me coming in many ranches including myself has had this vision of keeping our cattle here in Hawaii and produce grass fed beef reaching goals of self sustainability for not just our families but for the people of Hawaii.This bill SB692 will greatly have a bad impact on all Hawaii it's bad for local ranchers including myself thank you for your time I truly believe you will do what is right for local ranchers and the people of Hawaii sincerely Anthony P silver

SB-692

Submitted on: 2/16/2021 9:16:13 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Waylon Brun	Testifying for Kauai Cattlemen Association	Oppose	No

Comments:

My name is Waylon Brun. I'm the president of the Kauai Cattlemen's Association and a small producer on kauai! I strongly **oppose** this bill!

Hawaii Meats contributes to the state of Hawaii's ranching ecosystem by buying cull cows and other cattle from ranches at a profitable price! If this bill passes it will put a stop to the buying as there will be a massive slow down in the processing plant! the only people that will benefit from that will be parker ranch, all the small ranchers will suffer!

Parker Ranch has not contributed to outer island ecosystems like Hawaii Meats, for as long I have been around there has never been talk of Parker buying cattle from other ranchers or having a statewide impact. Parker Ranch says this bill is for the small rancher/producer but they didn't reach out and discuss this bill before pushing it through, why?

Bottom line if this bill passes the only entity that is fitted to gain from this is Parker Ranch and all the small ranchers and producers will get pushed aside per the usual and big politics win!

-G

Griffith Livestock Cattle Company
GriffithlivestockCC@outlook.com

February 16, 2021

Hearing Date: February 17, 2021
Time: 1:45 pm

Senator Mike Gabbard, Chair
Senator Clarence K. Nishihara, Vice Chair
Committee on Agriculture and Environment
415 South Beretania Street, Rm #201
Honolulu, HI 96813

Re: Testimony in OPOSITION to SB 692

Dear Chair Gabbard, Vice Chair Nishihara, and Committee Members,

My name is Bobbie-Jo Griffith. My husband Dustin and I own Griffith Livestock Cattle Company a small ranch on the island of Oahu. We have 130 head of cattle which we run on a total of 1,000 acres of land. I strongly **oppose** SB692 for the following reason.

I'm a small rancher, I can only survive if my animals are aggregated with others, slaughtered and marketed by the plant. I do not do marketing; I ranch. This bill will only hurt the small ranchers who rely on aggregation and plant labels to get our meat to markets. It's already hard enough to get a slaughter date. By passing this bill larger ranchers will flood the kill floor time slots making even more difficult for smaller ranchers as myself to compete with their volume. This is a lifestyle that I chose and chose to raise my children in. No matter how big or how small we are ranchers. We should be there for one another because that's the Paniolo way of life. We help each other succeed not oppress others so one can monopolize the industry by flooding the market.

By allowing the expansion of both plants you are helping the small rancher that is just trying to make it in the world to share with the next generations, as well as helping Hawaii to be self-sustainable in an industry that we have mainly relied on mainland beef. I think we should all look at how Covid affected our markets and food supply. Would it not make sense to rely on local ranchers' beef first? With this expansion the slaughterhouses would be able to process more local cattle. How is this not a good thing?

Sincerely,

Bobbie-Jo Griffith

(808)348-1174

Griffith Livestock Cattle Company

SB-692

Submitted on: 2/16/2021 10:15:16 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Paul Punahale Andrade	Testifying for Mahiki Cattle Company LLC	Support	No

Comments:

I support bill SB629.

In regards to processing cattle at HBP PA'AUILO plant. I have had no issues in processing my cattle as a small rancher in a timely matter there. If the state allows one company(one individual) to control the market it would be catastrophic to the industry. Cattle prices will be controlled by this individual/ company and will drive the price of live cattle to record lows, while the price of the process meat will escalate and be passed on to the local retailer. This in no means will benefit the state consumer and the smaller ranchers doing business in the State.

Respectful submitted, Paul P. Andrade

Mahiki Cattle Co. LLC

SB-692

Submitted on: 2/16/2021 10:17:40 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Regina Pavao	Testifying for Guava Country Ranch	Oppose	No

Comments:

My name is Regina Pavao. I am a small rancher on Kauai island. I have 100 head of cattle which I run on 400 acres of land. I strongly oppose SB692. I'm a small rancher, I can only survive if my animals are aggregated with others, slaughtered and marketed by the plant. I do not do marketing —I ranch. This bill will only hurt the small ranchers who rely on aggregation and plant labels to get our meat to markets. Please defer the bill!

My name is Frank VanderSloot. I strongly oppose SB692. My company, Hawaii Sustainable Beef Enterprises, owns a majority interest in both state-owned processing plants in Hawaii.

I am 72 years old. I grew up on a small ranch in northern Idaho. My family struggled financially. I was able to get an education and had success in business. I am the founder and majority owner of Melaleuca, The Wellness Company. Melaleuca has been doing business in Hawaii for over 36 years. We have a distribution center in Oahu and we have thousands of Hawaii customers who buy from us every month.

I have been blessed financially, beyond anything I deserve. For the last 25 years I have sought out ways to pay back my many blessings by helping others who have been less fortunate than I. Five years ago, my wife, Belinda, and I purchased a ranch on the island of Kauai. We fell in love with the culture and the people here, especially the ranching community.

One of our main goals in Hawaii is to support the local ranching community and increase the sustainability of the Hawaii beef industry. It is well known that over 80% of the cattle grown in Hawaii are exported to the mainland and approximately 90% of all the beef consumed in Hawaii is imported from the mainland. That is because there is not enough beef processing capacity in Hawaii to process local beef. We are trying to change that by expanding capacity. Unbelievably, SB692 would stop us from doing that.

Since COVID-19, there has been a renewed interest in having Hawaii become more self-sustaining in agriculture. We share that vision.

Many ranchers would like to keep their cattle here and process them here, but there simply is no processing capacity to do that. The two tiny state-owned plants are aging. No one has made any substantial investment in these two plants for the last two decades. We are changing all of that.

The Only Entity Willing to Invest in Hawaii.

It's important to note that no one else has demonstrated a willingness to invest in the Hawaii meat processing industry for the past 20 years. Kunoa had

purchased the Oahu plant, but invested almost nothing in upgrading the aging facility. We purchased the Oahu plant from Kunoa just days before it closed its doors. It was deeply in debt and did not have enough cash to make payroll. I agreed to purchase the assets and save the plant from closing. We saved all 45 jobs. A few months later, when Jill Mattos announced her pending retirement, and her desire to sell her plant, it was offered to other parties for sale, but no one wanted to purchase it. It was specifically offered to Parker Ranch but they decided not to purchase the plant nor invest in it. Only after we were notified that all other parties had turned down the opportunity to buy the plant, did we step forward.

If there had been other willing investors, we would have gladly stepped aside. But there were none. We are now investing millions of dollars in plant upgrades and renovations. Oahu will soon have a state-of-the-art beef processing facility that will serve the needs of the rapidly growing local beef industry.

We are acutely aware of the magnitude of the responsibility that we now have to all those in the industry as to how we manage this important stewardship. We want to be as transparent as possible with our goals, plans, and initiatives as we move forward.

The Oahu Plant (Hawaii Meats)

Eighteen months ago, I became aware that the Oahu plant owned by Kunoa was close to bankruptcy and was about to close its doors. 45 employees were going to lose their jobs. Bobby Farias pleaded with me to purchase the plant and try to keep it alive. I agreed to do that. Bobby stayed on as part owner of the plant.

This is not the first time I've gotten involved to try to save jobs and rescue a local industry by purchasing and renovating a plant that was about to be closed. The last time was a cheese plant in Blackfoot, Idaho. I lost money in that endeavor also, but we saved the plant and local industry and hundreds of jobs. It's one of my proudest life achievements.

<https://www.idahofallsmagazine.com/2014/01/dairyman-frank-vandersloot-saved-my>

We are trying to do the same thing here in Hawaii. Even though the Oahu plant lost 3.9 million over the last 17 months, we have not laid off any employees and we have proceeded to make huge investments in plant renovations to expand capacity in order to turn the situation around.

Expanding capacity is the key. The local ranchers need the extra capacity, Hawaii needs local beef, and the plant needs the additional capacity to survive. Since this bill prevents us from any expansion, if this bill passes, it will devastate the industry.

In 2020, we presented our expansion plans for the Oahu plant to the Department of Agriculture. They extended our lease so that we could have a chance to recoup part of our investment. We have already begun renovations. Because SB692 prohibits any increase in plant capacity, if it passes we will have to scrap our expansion plans and the plant will have no chance to become profitable. It will eventually mean the death of the Oahu plant.

The Big Island Plant (Hawaii Beef Processors)

Jill Mattos has run the Paauilo plant on the Big Island for the last 15 years. She retired last week. Jill, Jerry Igami, and Pono Von Holt sold majority interest in the plant to us approximately eight months ago. Jill's plant has serious capacity restraints. It can harvest more cattle but does not have the space or labor force to process more cattle. Two ranchers, Michelle Galimba and Parker Ranch, use up 70% of Jill's processing capacity. Michelle sells her meat under the "Kuahiwi" brand and Parker Ranch sells most of its meat under the "Paniolo" and "Parker Ranch" brands. Some meat from Parker Ranch is also sold under the house brand.

Other ranchers have been pleading for plant capacity in order to harvest their beef. Some ranchers tell us that they have to kill their older cows on the ranch with no place to process them. We are working hard to solve this problem. We have learned that we can double the capacity to process Hawaii cattle by using the synergies between the two plants. We can use the harvest capacity on the Big Island plant and send carcasses to the Oahu plant for processing.

Individually, neither plant can solve the problem. But, working together, they can.

On December 3, we met with Parker Ranch and informed them of our plan to double the slaughter capacity of the two plants to allow more ranchers a seat at the table. Parker Ranch has refused to talk to us since that day and now has proposed this legislation to stop our plans for expansion. Late last week, they finally agreed to set a date to meet with us. We are anxiously looking forward to that dialogue.

SB692, drafted by Parker Ranch, will block other ranchers from having a way to process their cattle, forcing them to continue to send their calves to the mainland and not compete with Parker and Kuahiwi in Hawaii markets.

In its preamble, SB692 states that we own 70% of the beef-processing capacity in Hawaii. And section 3 states that we will not be allowed to own more than 70% unless we can prove there is ample competition, which is, of course, an impossible hurdle to clear. Therefore, SB692 forces us to cease all investment in expansion and keep the status quo. That works great for Parker and Kuahiwi because it blocks all competition, but it is disastrous for almost all other ranchers.

It's important to note that the "house brand" is the brand that we develop for the benefit of all the ranchers who cannot afford to develop their own brand. It's simply not feasible for most ranchers to have their own brand in retail stores. Therefore, the "house brand" is the brand that all other ranchers' meat is sold under. Without the house brand, we could not purchase anyone else's cattle because we would not have any way to sell it.

Section 1 of SB692 limits the house brand from exceeding 50% of the sales of the plant. This section is entirely unfair to the hundreds of ranchers who do not have their own brand and must sell under the house brand. It means that all other ranchers COMBINED will not be allowed to sell more meat than just Parker Ranch and Kuahiwi COMBINED. The Big Island plant is already at 49.5% for the house brand. The Oahu plant is already past the 50% limit that SB692 sets! Therefore, if SB692 passes, the Big Island plant will be prohibited from growing the house brand for smaller ranches and the Oahu plant will have to

substantially reduce its sales of small rancher's beef to come down below the 50% mark! This cannot be what the State of Hawaii wants!

No one has previously invested in these two tiny plants because there simply is not enough financial return to warrant the investment. The plants are far too small to compete with the mainland plants that are over 100 times larger and whose processing costs per animal are half what they are in Hawaii. We are willing to invest simply because we feel it is the right thing to do for the entire Hawaii ranching community. If we are allowed to grow, we feel we can make these two plants viable operations. We know we will not get all of our original investment back. However, we believe that there are other rewards in life than simply financial rewards. Sometimes, knowing you did the right thing to help others out is reward enough.

Parker Ranch and Kuahiwi Dominate

Parker Ranch owns 100% of the shelf space for local beef in Safeway and Kuahiwi dominates the shelves in Foodland. No one can blame them for wanting to protect their space, but trying to keep other ranchers from having a place at the table is wrong. We simply cannot support their efforts to elbow out other ranchers. SB692 is designed to do exactly that.

We understand that we have a big responsibility to all ranchers and that we need to operate fairly with all ranchers, including Parker Ranch and Kuahiwi. And we will. No one has suggested that this bill is necessary because we have done something wrong. And we won't. Existing law already prohibits wrongdoing in this arena.

This dispute is very uncomfortable for us. We do not want drama and dissension. We want to be good stewards for everyone. We seek peace and partnership. Parker and Kuahiwi are our largest customers. Their business is very important to us. We pledge to continue to serve them honorably, but we cannot support their efforts to block other ranches from having the ability to process their beef.

If the legislature passes SB692, it will be disastrous for the Hawaii ranching community and the goals of the State of Hawaii to become more self-sustaining in agriculture. For the sake of Hawaii ranchers and the people of Hawaii, please defer this bill.

SB-692

Submitted on: 2/16/2021 10:58:15 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Bud & Katy Gibson	Testifying for Rocker G Livestock	Oppose	No

Comments:

Aloha,

We are ranchers on the Island of Oahu and run 500 head of cattle on 3200 acres of leased land. We strongly oppose SB692 as this bill does not help the smaller ranchers such as ourselves.

This matter should be resolved by the parties involved along with our Hawaii Cattlemens Council that represents all the cattlemen and ranchers in Hawaii. This bill only targets two processing plants that are trying to expand and make it a fair market for every cattleman no matter how small they are. We can not emphasis enough how detrimental this bill will be to our industry as it will only serve to cause more hardship and will not increase Hawaii's "food security". This issue should not be dealt with by legislation.

Mahalo



February 17, 2021

Hearing Date: February 17, 2021

Time: 1:45 PM

Senator Mike Gabbard, Chair
Senator Clarence K. Nishihara, Vice Chair
Committee on Agriculture
Via Videoconference

Re: Testimony in Support of SB 692, Relating to Food Security

Dear Chair Gabbard, Vice Chair Nishihara, and Committee Members,

My name is Dutch Kuyper, and I am the President and CEO of Parker Ranch, Inc., a Hawai'i corporation that carries on the Big Island cattle ranching operations established by the Parker family in 1847. Parker Ranch strongly supports SB 692, which institutes specific safeguards to protect producers from possible anti-competitive behavior by the monopoly meatpacker with concentrated control of over 70% of meatpacking capacity within the State. We believe that this legislation is critical to ensuring food security and sustainability in Hawai'i, and assure the continued growth of the local beef industry.

The Meatpacker Controls Meatpacking Capacity

Ranching is by no means a new industry in Hawai'i, but large-scale local beef production for the local market is. Most Hawai'i producers, as we cattle ranchers call ourselves, had focused on exporting calves for the mainland market. However, over the last several years, Parker Ranch and other Hawai'i producers have worked hard to build locally raised and branded beef programs for local consumers.

We would not be able to process our beef for the market without the meatpacker, who is an integral part of our supply chain (which includes many jobs

from rancher, producer, meatpacker, distributor, retailer, etc.). The meatpacker is responsible for the process between the rancher and the customer, and prepares and packages our beef products into T-bone steaks, stew meat, or ground beef, for your table.

The recent success and increased demand for local beef has incentivized more producers to produce beef for the local market. However, our industry is constrained by limited in-state meatpacking capacity, which prevents newcomers from offering new products. New ranchers looking to create branded beef products cannot do so because they cannot obtain slots to process their branded beef for market. The meatpacker controls the schedule of “slots” for slaughter and processing services and effectively controls which rancher gets access to the local beef market.

SB 692 Protects Ranchers from Anticompetitive Practices from the New Owner of the Two Largest Meatpacking Plants in Hawaii

There are two large meatpacking plants in the State that are federally licensed and capable of processing beef products on a large scale for the consumer market. One is on Oahu (Kapolei) and the other is on the Big Island (Paauilo). Together, these two plants make up over 70% of the total meatpacking capacity in the State. The rights to control and operate both of the Kapolei and Paauilo plants were recently acquired by a new owner, a successful businessman who also owns cattle ranching operations in Idaho and on Kauai.

This complicates things because the meatpacking plants and its affiliates are also direct competitors and producers of locally branded beef products. Simply put, the meatpacking plant processes local beef, purchased directly from Hawai‘i ranchers, and markets it for its own house-branded beef products that directly compete with independent rancher-owned brands.

The meatpacker also has the unilateral power to set prices for slaughtering and processing services and in allocating slots. The meatpacker may use this power to charge his competitors excessive processing services, allocate slots to itself, and prioritize its own product to the detriment of other ranchers. As a packer and producer, the meatpacker can confer preferential treatment to his own producer companies, and punish his competitors.

SB 692 prohibits the meatpacker from engaging in unfair or discriminatory practices, such as overcharging his competitors for necessary services, charging his related entities less for the same services, or denying processing services to customers who produce competing beef products. These practices already are prohibited in federal law, but SB 692 would provide for local actions and enforcement. SB 692 also ensures that customer brands will retain access to processing services, and that the meatpacker cannot dedicate more than 50% of the Kapolei and Paauilo plants' meat processing capacity - comprising 70% of total meatpacking capacity in the State - for his own products, sold under his house brand.

These safeguards level the playing field for ranchers and ensure that there will be multiple branded local beef products on the market, produced by the meatpacker *and* ranchers, and that competitor ranchers are not shut out from meatpacking services.

SB 692 Protects the Big Island Beef Industry

Aside from controlling pricing and deciding which ranchers will have access to meatpacking services, the meatpacker has the unilateral power to change established processes that can eliminate Big Island jobs. SB 692 will prevent this.

The new owner has recently announced that he intends to restrict the Paauilo Plant's full complement of services and centralize all (post-slaughter) processing on Oahu. If this is true, Big Island ranchers will be forced to ship beef carcasses to Oahu for processing, and then ship packaged beef back to the Big Island for distribution with retailers. Not only will this new process impact food security, it will add substantial costs for Big Island ranchers. It may make it too expensive for Big Island ranchers to produce their own beef products, allowing the meatpacker's own product to dominate the market.

The Paauilo plant is particularly important because 70% of Hawai'i's beef is produced by ranches on the Big Island. Cattle ranching is a historic industry and economic driver on the Big Island. There are many cattle ranchers and other businesses related to ranching and processing operations here. Shifting

production and restricting the Paauiilo plant's services would kill Big Island jobs during challenging economic times.

SB 692 will prevent the reduction in services because it will require each of the Kapolei and Paauiilo plants to provide a full complement of services, including slaughter and processing. Doing so will allow Big Island ranchers to continue to produce local beef and sustain the industry.

Parker Ranch Supports Expansion of Meat processing Capacity in Hawai'i

We understand that the new owner plans to increase the capacity on Oahu by a factor of 500%, largely to handle processing of mainland beef imported from his ranching operations in Idaho. We don't see how this expansion strategy benefits either consumers or producers in our State. We do see how it benefits his ranching operations on the mainland and the State of Idaho.

There have been unfounded allegations that Parker Ranch is against the expansion of the meat processing plants. This is false. Parker Ranch fully supports the expansion of the Paauiilo plant because the Big Island is underserved in terms of meatpacking capacity relative to production capacity. Big Island produces the majority of the beef in the State, but meatpacking capacity on our island only represents about 30% of statewide capacity. We need and want 2-3 times more meatpacking capacity on the Big Island right now, not just so we can continue to produce our own products, but for other Big Island ranchers who wish to produce beef for the local market. If the new owner implements his plans to shift production away from the Big Island, we may not be able to continue to produce our products.

Expansion of the Kapolei plant, only to process mainland beef, would not help the State's food security goals. It also would not help Hawai'i ranchers.

SB 692 Institutes Lawful, Reasonable Safeguards

It is undisputed that the new owner controls over 70% of meatpacking capacity in this State, and the unilateral ability to change processes. We believe that SB 692

implements reasonable safeguards to ensure that the meatpacker does not exploit these powers and potentially violate Federal and State antitrust laws.

For example, Section (a)(1), by reserving 50% capacity for brands other than those controlled by the meatpacker, as long as there is sufficient demand to do so, will ensure that branded beef products produced by ranchers will continue to have access to slots. Section (a)(2) encourages the meatpacker to involve stakeholders in major decisions (such as restricting the Paauilo plants services) and ensure that the industry is moving forward in a sustainable manner. Section (b)(1) ensures that the meatpacker does not engage in unfair or discriminatory practices, such as excessive pricing for its services. Section (b)(2) and (3) assures that Big Island ranchers are not unduly disadvantaged and will continue to have access to processing services.

About 40 to 50% of capacity at the Paauilo plant today are brands other than those controlled by the meatpacker. It was alleged that 70% of slots were allocated to these programs. The reality is 30% of those slots are dedicated to house brands owned by the packer, who purchases cattle for its own account to serve those customers.

Why would the State allow one producer to use State facilities to favor itself to the detriment of local ranchers?

We think that these safeguards are reasonable and do not impose restrictions that are already contemplated under the State leases. We also do not believe that there are any grounds for constitutional challenges to such safeguards.

There can be no “taking” if a private property interest does not exist. A State lessee does not have the right to do whatever it wants with State-owned property. Neither does SB 692 overwrite the existing leases. Both leases require the lessee to comply with applicable laws and provide restrictions to expansion.

First, both leases for the Kapolei and Paauilo plants require the lessee to comply with applicable laws, then-existing and implemented after signing. The leases implicitly prohibit any action that would violate applicable antitrust laws, including any action related to operation or expansion. The provisions in SB 692 that follow federal law cannot be deemed to impair contracts, because such provisions were already applicable to the lessees. SB 692 simply provides for

safeguards and State enforcement for similar violations. The new owner does not have, and never had, the right to operate or expand State-owned property in a way that violates the law.

Second, both of the leases provide that the State owns the grounds and existing improvements on the property. Although the lessee has the option of constructing additional structures and improvements, he is contractually required to first obtain the State's written consent. The leases also allow the State to impose conditions for the construction of new improvements. It was never guaranteed that the new owner could institute his desired future business plans. State review and approval was always required.

Third, SB 692 allows the lessee of a State-owned plant to expand, after State review and a finding that the proposed expansion provides for the lawful increase in market share that does not run afoul of State and Federal antitrust laws. There is no blanket prohibition on expansion. SB 692 allows for and will not interfere with distinct and reasonable investment-backed expectations. It is not reasonable to expect that the lessee can dominate the market and engage in unlawful anticompetitive operation or expansion that will hurt Hawai'i's food security and economy.

Our Industry is built on Trust and Mutual Respect

We believe that the safeguards implemented by SB 692 are reasonable and necessary to protect the industry and ensure that Hawai'i ranchers can continue to produce local beef for Hawai'i consumers.

The slaughterhouses are a vital part of our production process and the local beef industry. We have deep respect for the meatpacker and have historically enjoyed a mutually beneficial relationship. We hope that we can continue to work together to supply more local beef for local customers, and encourage the growth of the entire industry.

In order to meet the new owner's concerns, we suggest the following amendments to SB 692 (the amendments are in grey shading) to Section 159:

§159- Limitation of meat processors; accounts and records of business; trade practices.

(a) Lessees and operators of any large meat processing establishments that is required to purchase bonds under the Packers and Stockyards Act of 1921, as amended, including establishments constructed on State-owned land ("Meat Processing Establishment"):

(1) ~~Limit slaughter and meat processing capacity to no more than fifty per cent for house-branded meat products that are owned or controlled by the lessee and operator of the State-owned meat processing establishment~~ Shall offer producers that control non-house brands a right of first refusal to utilize at least fifty per cent (50%) of the slaughter and meat processing capacity of each such Meat Processing Establishment; ~~and~~

(2) May increase the overall meat processing capacity of the Meat Processing Establishment, and thereby increasing the processing volume of house-branded meat products, as long as the new slot capacity is first made available to producers to process non-house brands such that producers that control non-house brands in the aggregate have a right of first refusal to utilize at least fifty per cent of the overall meatpacking capacity of those Meat Processing Establishments for non-house brands; and

(3) May be required to Annually report to the department its efforts to invoke stakeholders in ensuring that the vision and direction of the meat processing establishment is in the best interest of the State and its food security, sustainability, and safety goals. The report shall include the lessee or operator's business plans showing existing and projected markets and sources of cattle supply.

(b) Lessees and operators of ~~State-owned meat processing establishments~~ Meat Processing Establishments shall:

(1) Not use any unfair, unjustly discriminatory, or deceptive practice or device;

(2) Not make or give any undue or unreasonable preference or advantage to any particular person or locality, or subject any particular person or locality to any undue or unreasonable prejudice or disadvantage; and

(3) ~~Shall provide a full complement of slaughter and meat processing services without requiring customers, including ranchers and other producers, to surrender title to the animals to be slaughtered and processed. If the title is retained by the customer, then slaughter and meat processing services shall be provided and not limited to only slaughter services.~~

(c) Lessees and operators of ~~State-owned meat processing establishments~~ Meat Processing Establishments shall not hold or control, either directly or indirectly, more than seventy per cent of

meat processing capacity statewide unless a market study is commissioned and reviewed by the board with a finding of adequate market competition.

For the purposes of this subsection, "meat processing capacity" shall be measured by the number of head annually at the time of ownership changes, lease assignments, renewals, or extensions.

(d) The department may require lessees and operators of ~~large State-owned meat processing establishments~~ Meat Processing Establishments that are required to purchase bonds under the Packers and Stockyards Act of 1921, as amended, and report live cattle price information similar to reports required under the Livestock Mandatory Reporting Act to:

- (1) Provide timely, accurate, and reliable market information;
- (2) Facilitate more informed marketing decisions; and
- (3) Promote competition in the meat processing industry. Such information shall include but not be limited to the average price for cattle, average quantity of cattle delivered and committed to the meat processor, and slot allocations by producers to house-brands controlled by the meat processor and customer brands controlled by ranchers and other producers."

SECTION 3. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION ~~3~~4. New statutory material is underscored.

SECTION ~~4~~5. This Act shall take effect upon its approval.

We believe that these amendments make it clear that, the fifty percent cap should not be an absolute for the meatpacker's house brands. If not enough producers want the available slots, the meatpacker is free to exceed fifty percent for house use for its own brands. This promotes the purposes of Packers & Stockyards which protects against undue or unreasonable preference for the meatpacker, or disadvantage to ranchers, referenced in Section (b)(2). It also ensures that there will be slots available for ranchers.

In addition, the amendments clarify that the provisions of SB 692 are applicable to large processors required to post bonds under the Packers & Stockyards Act, and not limited to State-owned meat processing plants. The reporting requirements are not mandatory, but "may" be required by the State, if it is deemed necessary.

Much of the information that may be requested (such as pricing) is already collected by the USDA, on a voluntary basis. Although reporting was mandatory under the Livestock Mandatory Reporting Act, the LMRA terminated last year. SB 692 does not require monitoring by the DOA, but can allow the State to collect information and make it available to the public. Members of the public can conduct analysis at its own expense and relay any suspicious activities (such as exploitative pricing practices) to relevant government agencies for further review.

We believe that local food production is an essential building block of sustainability and resilience. Hawai'i imports the vast majority of food, which we do not believe is sustainable, safe, or secure.

We are proud of the quality product that we have created and that we can share the paniolo legacy directly with local consumers. We are also encouraged by increased interest by other ranchers who wish to enter the market. We hope to continue to provide local beef for local people for years to come.

SB 692 provides all local ranchers with protection against the risks of monopolistic power and anti-competitive behavior. All local ranchers except the ones controlled by the owner of the Kapolei and Paauilo plants should support SB 692.

For the foregoing reasons, we strongly support Senate Bill 692. Thank you for the opportunity to testify on this measure.

Sincerely,

Parker Ranch, Inc.

By: Neil "Dutch" Kuyper

Its: President and CEO

Kuahiwi Ranch
PO Box 24
Na'alehu HI 96772

February 16, 2021

Aloha Chair Gabbard, Vice-chair Nishihara and Members of the Committee,

I would like to express my **support** for SB692.

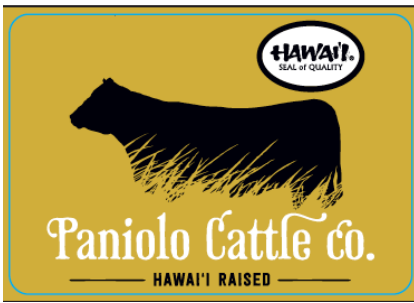
This bill provides important provisions to safeguard the gains made by local ranches and meat-processors in building the local grass-fed beef market. Local grass-fed beef contributes to our food security and sustainability goals by providing high-quality protein, often from marginal, agricultural land that is unsuitable for tillage or other more intensive agricultural use.

Given the well-documented dangers of monopolies to the functioning of healthy markets, it would have been prudent if an examination of the risks involved in creating a monopoly position in Hawai'i's meat processing capacity had occurred prior to the assignment of the lease to the meat-processing plant at Paauilo, and it would have been prudent to have safeguards against those risks written into the lease-hold documents as a condition of assignment.

However given that such an examination did not occur and such safeguards do not exist for those Hawaii ranchers who have dedicated their ranch's resources of land and water to local food production, this bill provides for some structural safeguards that will not only allow for highly successful local grass-fed beef brands such as Parker Ranch's Paniolo Cattle Company, to continue, but also for a healthy, competitive meat processing sector that provides cost-effective meat processing for all the islands for all species.

Our family ranch (Kuahiwi Contractors, Inc. dba Kuahiwi Ranch) has been providing beef for local markets on every week since 2008. We are hopeful that the proposed investment in our meat-processing infrastructure will create new possibilities and benefits to our hard-working island ranchers, but we are also keenly aware of the potential, even if unintended, for a processor with monopoly powers to damage the long-standing, deep-rooted network of local businesses that make up the meat processing sector. If we are to build a flourishing agricultural sector that can provide the resilience and sustainability necessary to face challenges such as climate change or future pandemics, our state resources must be deployed carefully and fairly. A diverse, healthy, equitable agricultural business ecosystem is an essential public resource the we must safeguard thoughtfully and deliberately.

Sincerely,
Michelle Galimba, VP



Testimony by Paniolo Cattle Company LLC in support of SB692: RELATING TO FOOD SECURITY.

Testimony provided to the Hawaii State Legislature Senate AEN committee hearing Wednesday, February 17th at 1:45 p.m.

Chair Gabbard, Vice Chair Nishihara, and Committee members. Thank you for the opportunity today to provide testimony in front of your committee hearing in support of SB692, Relating to Food Security.

Paniolo Cattle Company (PCC) was formed in 2014 as a joint venture between Ulupono Initiative and Parker Ranch to explore the opportunities to develop a pasture to plate beef program that kept cattle and jobs on the islands, contributed to Hawaii's stated goal to become less reliant on imported food, thereby increasing the State's food security and supporting the growth of local Agriculture.

It is interesting to note that prior to 2014 it had been close to 30 years since Parker Ranch had retained calves on the Ranch in any meaningful quantities to provide a steady supply of quality locally grown beef to local consumers across the State.

To develop a pasture-to-plate local beef program was one of the most strategic and important decisions that Parker Ranch has made in the past 40 years. It also does not happen overnight. It required major capital investment in laneways, fencing, water troughs, re-training and hiring of cowboys (Paniolo) to manage and care for the herds. Most importantly it required a commitment by the Ranch to allocate some of its most productive lands away from cow/calf operations to supporting the raising and finishing of a cattle herd that could guarantee supply to the local market 365 days a year with quality beef.

When the program was formed, we (PCC) communicated clearly, transparently and often with important stakeholders on the Big Island and elsewhere that we would not “cannibalize” the local market or steal accounts from other local beef programs that had organically grown overtime. We also had a firm conviction that a “rising tide lifts all boats” and that we could do that by finding and developing new accounts that would create value in all parts of the supply chain, from the producer, to the processor, distributor and ultimately the end consumer who would get access and options to quality locally raised beef all year round. We kept that promise to the industry and as a result all stakeholders have benefited from the rising tide that has been the evolution and development of these local programs over the past decade.

In 2014 we started with 200 feeder cattle and no accounts. Today, nearly 7 years later we have close to 3,000 head in the overall herd and state-wide market penetration through a retailer that has been a valuable and strategic partner for us. In spite of this we are still a very small percentage of the total beef volume (mainland plus local), and by our estimates approximately 17% of the local beef harvested in Hawaii annually.

We are also unique in Hawaii in that we retain title to our animals through to the end customer. That has given us a rare insight into the margins and value-gain at various points along the supply chain and has forced us to be smart and disciplined with how we manage the business. It is also a different model to the one where the packer is the gatekeeper to the market, controlling market access and preventing fair and adequate returns back to the producer (rancher). An example of this is the outbreak of COVID in April 2020 where packer profits and margins on the mainland skyrocketed as consumers panicked and over purchased, yet producer and feedlot profits and margins remained flat or decreased and the price of cattle sold at the farm gate actually decreased by up to 25% in some instances.

The model of the producer retaining ownership title of the animal from the farm gate to the retailer is not a common one in the U.S. Beef Industry. Why? Because it is complicated, comes with a high degree of risk and uncertainty, and requires a significant amount of capital to develop and grow. Yet it has been allowed to develop in Hawaii because for the past 6 years the packer has acted as facilitator by allowing the producer to retain ownership and contract with retail accounts, along-side the packers own house brands. It is this unique ecosystem, that in our view, is worth protecting with the safeguards the bill provides.

In addition, we toll, harvest and process our animals through a plant in Paauilo on the Eastern side of the Big Island – Hawaii Beef Producers (HBP). For 6 years we have worked hand-in-hand with the previous ownership group of the plant to invest in upgrades, certifications and processing equipment purchases to meet the expectations and requirements of a retail customer. This has included introducing the BRC audit and certification to the plant that is now an automatic requirement for entry into retail and we assist the plant every year by paying 50% of the cost of that audit which runs at \$12,000 annually.

Our relationship with the plant has been one of mutual respect, trust and support for one another in our endeavors to provide local beef to the market. As we have grown, the plant has grown, and the distribution channel has grown. It is also worth noting that we have had no control over the slot allocation for harvest at the plant or what we are charged for toll harvest and processing as we have no other options as to where we can process our animals. Both pricing and slots are set by plant management. It is our understanding that the breakdown between house brand and independent producer brand allocation on retail programs at the HBP plant is about 50/50 and that has been achieved organically on pro-rata basis over time.

Although the plant is a virtual monopoly on the Big Island (90% of the processing capacity), under the previous ownership, there was no abuse of the monopoly position because of the examples outlined above and there was peaceful coexistence.

Because of recent changes to ownership at the HBP plant we, PCC, support SB692 and believe that the provisions in the Bill will not only provide safeguards for unique programs such as ours, but it will allow other programs to start-up and flourish, while still allowing a monopoly packer on State-owned land and building leases to grow their own house-brand programs and increase their processing capacity, if they so choose to.

To summarize, PCC supports SB692 because:

- It represents the percentage ratio between house brands and independent producer brands processed at the HBP plant (50/50). This ratio split evolved organically over time to reach its current percentages.
- The bill does not prevent an owner of a plant located on State Department of Agriculture leases from increasing their processing capacity above 70% of total

processing capacity in Hawaii. It only requires that, because they are located on State leases that they commit to undertaking a market study, reviewed by the board with a finding of adequate market competition, before they increase their capacity percentage above the 70% threshold.

- The bill will encourage and allow other small independent producer branded programs to enter the retail and foodservice markets in Hawaii. These programs will be allowed to flourish safe in the knowledge that they will be protected against possible future anti-competitive behavior, discriminatory pricing/behavior and deceptive market practices by a market participant who controls 70% of the current processing capacity, and who through vertical integration could be a competitor in the marketplace with their own house brands and supply of cattle.
- The bill will provide consumers with increased choice of local beef offerings at retail, farmer markets, natural and organic independent stores, restaurants, and direct to consumer programs because it will protect the ability of the owners of these programs to get their product harvested and processed at facilities on state leases, with the protections the bill provides.
- The bill, through the protections it provides will encourage transparency, fair toll harvest and processing charges and a fair allocation of existing and new harvest processing slots to existing and new entrants that could, in time translate to lower prices paid by consumers in the marketplace. The lower prices would be achieved through lower costs and greater competition in the marketplace.

Respectfully,

Charles Nelson
Marketing Consultant
Paniolo Cattle Company LLC



Barbed S Ranch, LLC

86-412 C Lualualei Homestead Road
Waianae, HI 96792
(808) 696-8048 FAX (808) 696-7837 e-mail fkamasilva@gmail.com

TO: HONORABLE MIKE GABBARD, CHAIR, HONORABLE CLARENCE NISHIHARA,
VICE CHAIR AND MEMBERS OF THE SENATE COMMITTEE ON AGRICULTURE
AND THE ENVIRONMENT

SUBJECT: **STRONG OPPOSITION TO S.B. 692 RELATING TO FOOD SECURITY.**

Initiates reporting requirements and safeguards to prevent anti-competitive practices in the meat processing industry.

HEARING

DATE: Wednesday, February 17, 2021

TIME: 1:45 pm

PLACE: VIA VIDEO CONFERENCE

Dear Chair Gabbard, Vice Chair Nishihara and Members of the Committee,

We are a small cow-calf operation located on Oahu and Hawaii Island. As a meat producer who has struggled for decades to obtain adequate harvesting and processing services for our animals *we are opposed* by this effort to limit the capacity of the current or any future processing plants here in the state.

This proposed legislation would directly negatively impact our industry and our operation. The small local producer has consistently been pushed aside for their processing needs for the benefit of the few, larger local producers or importers. What we begged for many years was increased capacity and fairness in scheduling. This Bill does just the opposite by limiting capacity thus virtually shutting out all but two of the largest Hawaii island ranchers. Hawaii now has a new player who has invested much needed capital and the desire to build our industry to meet the needs of self-sustainability. We fully support the operation and any desired expansions, unfettered, of Hawaii Meats or any other meat processing or packing operation here in the state. It is the American way. Further legislation is not needed.

Please know that the desires of the introducers of SB Bill 692 is not indicative of our industry as a whole and that the stated purpose of the Act is not being achieved by this Bill. Meat producers in Hawaii, whether it be beef, pork, lamb or otherwise, need the services of quality processing plants in order to meet the needs of feeding our citizenry. This Bill hinders that and in fact promotes the opposite effect of restrictive harvesting in an industry that is already struggling. We need to support our processors and ALL cattlemen, not just the desire of one ranch looking out for their own interests.

Accordingly, Barbed S Ranch LLC, Leeward Paniolos 4-H Livestock Club, Henry Silva and myself, Frances Kama-Silva, strongly oppose S.B. 692 and recommend that the Bill be deferred.

Mahalo



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirty-First Legislature, State of Hawaii
The Senate
Committee on Agriculture and Environment

Testimony by
Hawaii Government Employees Association

February 17, 2021

S.B. 692 – RELATING TO FOOD SECURITY

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of S.B. 692 which initiates reporting requirements and safeguards to prevent anti-competitive practices in the meat processing industry.

There is an increasing demand from residents who prefer locally sourced foods and want Hawai'i to be food self-sufficient, which has rejuvenated our agriculture industry and helped our local ranching and cattle industry. Yet, despite the growing demand for locally grown, grass-fed beef, the limited capacity of meatpacking plants severely limits the ability of ranchers to process Hawai'i grown beef on a larger scale. Since our two largest slaughterhouses are owned by the state and privately leased, it is reasonable for the state to institute safeguards to encourage competition and ensure that all industry stakeholders are involved. The proposed amendments in this measure will ensure fair pricing for both the producers and local consumers.

We have an opportunity to increase food self-sufficiency and we must utilize the necessary tools to protect and grow our local food production, not hinder it. Therefore, we support passage of S.B. 692.

Respectfully submitted,

Randy Perreira
Executive Director

SB-692

Submitted on: 2/12/2021 5:35:35 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Darrell Bueno	Individual	Oppose	No

Comments:

This bill is sending a strong message that the largest ranch in Hawaii is only looking out for their best interests. Which I can't blame them for, however this bill will cripple the small to mid size ranchers who are unable to get floor space on the current plant at its current size. Parker has >70% of the floor space now causing others to wait sometimes up to 6 months for a booking. This is detrimental to the industry. During drought conditions which is almost annual here, ranchers would watch there cows starve and perish without Hawaii Meats not being able to take animals because of expansion restrictions. Please hear all the ranchers concerns before appeasing just the big player. This issue should be resolved by the two parties and input from ranchers. We do not need legislation to resolve this. Please concentrate on more pressing legislative issues and kill this bill.

Darrell Bueno (Oahu Cattlemans Association)

SB-692

Submitted on: 2/13/2021 10:54:05 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Allison Mayeda	Individual	Oppose	No

Comments:

What has happened to Parker Ranch? I remember growing up on the Ranch-- Richard Smart would never have let this take place if he were still here. This is so unfair to the small time ranchers who need to make a living too. SHAME

SB-692

Submitted on: 2/14/2021 12:22:23 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Warren Doi	Individual	Oppose	No

Comments:

My name is Warren Doi, and I am a small business and local community advocate. I strongly oppose SB692. The Paauilo plant is a private business, government shouldn't be dictating how they do business. Defer the bill. There is no need to establish this harmful regulation.

SB-692

Submitted on: 2/15/2021 12:49:16 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Brendan Balthazar	Individual	Oppose	No

Comments:

Chair Gabbard and all

My name is Brendan Balthazar I own and run Diamond B Ranch LLC located on Maui established 1968. I know most of the players in this game of the slaughter plant both in Honolulu and on the big island. SB692 that is being introduced should not even have gone that far to even be considered. I don't slaughter cattle on the big island but I do send a lot of cattle to Hawaii Meats in Honolulu. Until they took over that plant there was no where for lot of the ranchers here on Maui to move cull cows and bulls. The only small market was that of the Asian back yard kill. I have sent cows to Honolulu from almost all ranchers here on Maui. Both big and small. They have become the only market for most of us. Mahi Pono who partnered with Maui Cattle Co. usually only kill 10 or so cows a week and only from their partners ,Maui Cattle Co. DeCoites who is the only other slaughter plant will not buy any cattle, they just provide the slaughter service. When a ranch culls 80 to 150 cows they need to get them off the ranch. They can't wait 2 or so months to move the cattle. Hawaii Meats have taken them ,20,40,60, or 80 in one shipment. They also pay for the trucking and freight. And they take everything ,as long as the cow is healthy enough to make the trip. They were paying 90 cents when Mahi Pono was paying 80 yet picking up all the freight charges. I can't blame the big ranchers for having to move their cattle to Honolulu. Especially this past year when we had a very bad drought. Cows were in poor to bad shape. If it was not for Hawaii Meats co these cows would be dying in the pasture. We all were blessed to have some where to take our cattle. I can verify this because I hauled and shipped most of the cattle.

Some of the few things I can't understand.

1. Why didn't Parker Ranch sit down with Hawaii Meats Co. when they found out that they would be taking over the lease from that slaughter plant on the big island ?

From what I am told they have not, even though there was an effort from the company to reach out to them. I am sure that Parker had a concern that now Hawaii Meats would slaughter only their cattle and not make room for Parker. I would have the same concern. But this is something you discuss and work out before going to the state . Speaking to some of the small to medium ranchers , their complaint was not being able to get bookings to slaughter because the big guys took all the spots, and they had to wait months. Again this is what I was told and I was not the one who was denied a booking.

2. This bill backed by Parker Ranch is asking the state to require Hawaii Meats to disclose who they buy cattle from and at what price they will be selling. Will Parker disclose to all what they sell and to who? What business in America would disclose this kind of information. Example: Hawaii meats lets everyone know that they are selling ground beef to Times for 4.00 per lb. When their contract is up Parker or any one else can offer them 3.50 per lb and take their contract. If anyone wants to sell more of their product they should have a better product, better service, and better price. This is the basics for good healthy competition. What is good for one should be the same for all.

3. Not being able to control more than 50% of the market share. Who in that room casting their vote would want this kind of rule put on them. Yes as my mom said walk in their shoes. Lets say that with the kill on the big island they reach their 50% and we need to send cows to Honolulu to slaughter they will have to say, no sorry can't help you guys because the company has reached there quota. Part of what I read also said they Hawaii Meats can't own, buy or be affiliated with other cattle other than theirs because that cattle will be counted as their 50%. and they can't have more than 70% of the market share.

4. If Parker Ranch who is the largest ranch in the state and owns the most cattle and has the most money , was concerned, they they should have leased the plant. Better yet they should not worry about that plant and build their own , they have the land, money, and political clout to do it. And that would open up a lot of slots for all the other ranchers to slaughter. The Nobriga's couldn't get bookings so they got their own portable plant , and they are very small time compare to Parker.

Chapter 159 new section V #1 should be deleted.

Last sentence of #2 showing who you bought cattle from also Deleted. This is not a fair business practice , and has nothing to do with food security.

Page 5 #3 C This whole section should also be deleted. How can the state require this because the ground and building is owned by the state. Young Brothers also leases state owned land and buildings and they control 100% of the inter island shipping. If the state gave them the same rules and Pasha had 30% we would have a hell of a lot better service and prices. When Hawaii Meats leased the plant these rules was not required. How can the state require a business to comply with these unfair rules but yet expect them to put money to expand ,so there will be a capacity to slaughter 80 to 90 percent of the cattle grown here and more of our product can be eaten by people who live here.

In closing I want to say I know personally a lot of the cowboys on Parker Ranch and some of the managers like Keoke ,he and I go back over 40 years when we rodeo ed together. I consider him a honest and good friend. I do agree with most of the additions or changes that address not only Parker Ranch concerns but all the small ranchers also. But in no way can I support all. I also want to say those of you who personally know me will know that I am not writing this because of any friendship with Bob Farias. You guys know how much of a dick I thought he was when we were fighting YB and I also told him how I felt. I will always stand for what I feel in my heart is right and fair no mater who.

Thanks for reading if you actually did.

Brendan Balthazar

SB-692

Submitted on: 2/15/2021 3:18:19 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kanoe Schutte	Individual	Oppose	No

Comments:

Thank you for the opportunity to testify on the proposed SB692. My name is Kanoe Schutte and I live on the Big Island in Waimea. In my little community, we are surrounded by big ranches such as, in majority, Parker Ranch and a few more to name.

I am here today to share briefly my concerns with the SB692 bill that was proposed.

Without a doubt, i oppose to this bill, change, reassurance, competition and also security is spread all around this island with any topic you may bring up, but mostly the biggest market around here, the cattle market. One of the main reasons I am seeing and hearing more concerns in efforts in stopping this bill is due to the small ranchers not being able to compete with the larger ranches.

1. Smaller ranchers do not have the land to produce or even occupy large amounts of cattle due to the lack of resources and land being available.
2. Slaughter houses are being flooded with kill cattle which only opens up a few slots for smaller ranchers.
3. Large ranches, like Parker Ranch, "bully" or try to "control" the smaller ranches with having the numerous resources, the money to be able to support their company, and the land that can produce and show the vast numbers in cattle production.

I would like to recommend having an open mind and listening to what the small ranchers have to say compared to the larger ranches. If given a chance, i believe, the two entities, Parker Ranch and Hawaii Beef Producers, can come to a mutual agreement and understanding of what their potential game plan will be.

There is a reason this bill was deferred the first time.

With my assumptions and hope, i believe Hawaii Beef Producers, will open up more opportunities for not only small ranchers but the big ranches as well. This is what this small island needs. A window for opportunity, a bond and a trust to be formed with the new owner, and hope that in this industry WE ALL MAKE IT.

SB-692

Submitted on: 2/15/2021 3:22:03 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Paul J Deluz	Individual	Oppose	No

Comments:

I am Paul J. De Luz, and run a small family ranch on the big island near Honokaa. We run about 2503 breeding cows. Like others, we need to have a market for our cull cows and bulls, some times grass fat cattle. Frank vandersloot who purchased the two processing plants is giving us as small ranchers , new hope. We need to let Hawaii Beef Producers run there business as they please, and not having PARKER RANCH, and KUAHIWI wanting there way. Bill HB will destroy the lively hood of the small ranchers of the state of Hawaii. This Bill HB 1206 needs to be slaughtered. Remember lawmakers, we all pay our share of taxes like the big boys (PARKER Ranch/ KUAHIWI Ranch). Thank you.. Paul J. De Luz. Family run small cattle rancher.

SB-692

Submitted on: 2/15/2021 4:14:48 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Richie Mitchell	Individual	Oppose	No

Comments:

Aloha, my name is Richie Mitchell. I strongly oppose SB692. I am a small rancher in Waimea on the Big Island. I had 3 head of cattle that we run on 5 acres. I raise these cattle to help feed people in need in our Waimea community. I tried for over 6 months to get 3 slots to custom cut our cattle at different facilities. Unfortunately during that time, there was a drought and I had to buy feed for the cattle while I waited for the slots. I finally got 2 slots at one facility. Then scrambled to get a slot for the third. I couldn't find a facility to custom cut the last cow, so I had to sell it. Aside from the financial loss from feeding during the drought, our community lost out on the meat from the third cow. Needless to say that this bill will only make it harder for me to find slaughter slots for our cattle in the future. We need to kill this bill so we can continue to kill our cattle!

SB-692

Submitted on: 2/15/2021 4:25:11 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ryan Rivera	Individual	Oppose	No

Comments:

My Name is Ryan Rivera. I am a small rancher On the island of Kauai. I strongly oppose bill SB692. By allowing the expansion at the big island Paauilo plant. Small ranchers will finally have a opportunity and a place to sell and slaughter our own animals and keep hawaii beef in Hawaii. Instead, ranchers have to ship off there calves to the mainland, for alot less money then what could be made if they were to stay here in Hawaii. if there was a opportunity for small local ranchers and a place to sell our calves here we would. Access to small ranchers to kill slots at the facility and the local meat industry, has been limited and dominated by large ranches, namely Parker Ranch. This bill will only take the cattle industry backwards not forwards for the small ranchers, who greatly depend on that extra income to live and support there family's. Where you the government, makes it already difficult for us to live here with endless Taxes and regulations. Don't make it even worse with bills like this that brings the little guys down further.

Mahalo

Ryan Rivera

SB-692

Submitted on: 2/15/2021 8:52:51 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Sarah Caldwell	Individual	Oppose	No

Comments:

As a small individual rancher I am completely against this bill. If this bill passes it will slowly run me out of business along with all of my fellow ranchers . We have always worked hard with very little and this bill passes it will all be a waste of time. You must have a broad vision for the future with deep understanding of this bill if it passes moving forward it only benefits the large ranching community and they will have no problem monopolizing on their situation. Please for the future of the small rancher and the young ranchers coming up . The only fair thing to do is to increase lots and everyone benefits. Please do not pass this bill. Sarah Caldwell.

SB-692

Submitted on: 2/16/2021 7:40:20 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Corey Silva	Individual	Oppose	No

Comments:

My name is Corey Silva. I am a small rancher on the island of Kaua'i. I have 20 head of cattle that I run on 10 acres of land and I STRONGLY OPPOSE SB692. I'm a small rancher on a small island. I can only survive if my animals are aggregated with others, slaughtered and marketed by the plant. I do not do marketing —I ranch. This bill will only hurt the small ranchers who rely on aggregation and plant labels to get our meat to markets. Please defer the bill!

SB-692

Submitted on: 2/16/2021 7:47:29 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Elise Parraga-Silva	Individual	Oppose	No

Comments:

My name is Elise Parraga-Silva. Our family own a small ranch on the island of Kauai with about 20 head on 10 acres of land. I STRONGLY OPPOSE SB692 as our family are small ranchers. We can only survive if our animals are aggregated with others, slaughtered and marketed by the plant. We do not do marketing —We ranch. This bill will only hurt the small ranchers who rely on aggregation and plant labels to get our meat to markets. Please defer the bill!

SB-692

Submitted on: 2/16/2021 9:48:30 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kawohi Schutte	Individual	Oppose	No

Comments:

As a local ranch hand working for Z Bar Ranch on the Big Island of Hawaii. I strongly oppose SB692. Recently two feral bulls got into the cow herd I am managing, they were a nuisance, terrorizing the cow herd and fence lines. I was able to trap and transport these feral bulls to Hawaii Meat's who were able to receive and process them on a day's notice. If the processing capacity for the plants operated by Hawaii Meat's is limited as proposed in this bill, I would have had no place to go with them and would have had to dispose of them in the field resulting in a total loss. I am earnestly pleading with you to please kill the bill (SB692.)

From: Shiri Breslow

Date: February 16, 2021

Re: Testimony on SB 692, Relating to Food Security, Hawaii's Meat Processing Industry, and Fair-trade Practices

I write in support of SB692, as I believe this bill is a necessary safeguard in Hawaii's food supply chain. It is clear that this bill is timely and will create the needed protections and industry transparency to ensure that the grass-fed beef market remains competitive and is not stifled by any one particular party. With one owner in control of the majority of the state's beef processing, it is critical to have safeguards in place to ensure that ranchers, both big and small, as well as the grass-fed beef industry that has taken years to build to what it is today, are protected. In reading SB692, I feel one must ask the question why anyone would be against what seem like obvious safeguards. To stand against a bill such as the proposed, one would assume that the intent is to either increase the house brand to the majority of the processing capacity or to limit transparency of the operation.

Allowing the house brand to increase to the majority of production takes all control away from the ranchers (large and small) and creates an anti-competitive environment. There is an inherent advantage to have different levels of entry in the grass-fed beef market. Consumers set the demand, processors determine the supply, private labels help establish various market-entry points, and the house brand helps establish the price floor. Imagine you now have a processor who is not only determining the supply, but also the price with the house brand. This player now has the ability to push out private label supply within the grass-fed market by increasing house brand. Small ranchers may look to this as a short-term opportunity to gain slots for slaughter, but the house (processor) is devaluing their product thereby devaluing grass-fed beef because competition has been driven out. This is by definition anti-competitive.

If the concern in passing this bill is with providing transparency to the operation, then I think it begs the question of the intent of the meat processor and what they do not want to share with the State.

These safeguards are important to the sustainability of Hawaii's grass-fed beef industry and the food security of our islands and I believe SB692 should be passed.

SB-692

Submitted on: 2/16/2021 10:08:45 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
robert farias	Individual	Oppose	No

Comments:

aloha , i am a rancher on Kauai...Parker has doninated the cattle industry too long ... only since hawaii meats started was i able to have an option to sell my beef locallyby limiting Hawaii meats only puts Parker at an unfair advantage aloha bob

SB-692

Submitted on: 2/16/2021 10:34:02 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Gordon Kalaniopio	Individual	Support	No

Comments:

February 16th, 2021

Aloha Chair Gabbard, Vice Chair Nishihara and Members of the Committee,

I would like to express my **support** for SB 692.

The intention of this bill is to encourage healthy competition and increased production within the local beef industry, by way of thoughtful safeguards that prevent the creation of a monopolistic marketplace.

I am a multi-generational rancher located on the island of Hawaii, and employee of Parker Ranch. For five consecutive generations, my family has diligently stewarded our ranch lands and livestock to ensure that following generations have access to the same lifestyle and opportunities as we do. Much of my professional career has been rooted in increasing local food production, and building out models that allow producers, both large and small, to find market opportunities here in Hawaii.

The beef commodity market can be incredibly volatile. Along the beef supply chain, these price fluctuations often have the most significant negative impacts on calf producers. This is one of the reasons why, especially over the 10 years, many Hawaii producers, both large and small, have diversified the way in which they market their cattle. Many producers now retain ownership of their calves, allowing them to reach a marketable weight, to be sold into the local market as a part of a branded program. This keeps local dollars within the local economy, supports the maintenance and creation of local jobs, and works in parallel with the state's food security goals. All of this is possible because of the healthy, competitive marketplace that was created by local producers. Over the last 10 years, we have seen an increase in demand and thus price point of our product, diversification in the market's participant pool, and an uptick in the volume of locally produced cattle entering the local food supply chain. The safeguards built into this bill, are intended to protect these positive trends, and allow for a continued expansion of opportunity for local beef producers.

The expansion of local beef production is something we all want. As you read through SB 692, you will see that it encourages the expansion of beef production for ALL producers and ensures that beef production expansion is not limited to a select few.

Thank you for your consideration of this important matter.



Jacob D. Tayares

SB-692

Submitted on: 2/16/2021 11:42:54 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Robert H. Ferreira	Individual	Oppose	No

Comments:

I strongly oppose this bill and feel this is something that should be resolved outside of legislation so as not to put in laws that has the potential of harming future growth of this industry. This legislation body should look at how to strengthen the cattle industry with things that can promote growth such as chill space, pen space and availability of inspectors.

SB-692

Submitted on: 2/16/2021 11:46:48 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
BRONWYN FARIAS	Individual	Oppose	No

Comments:

Aloha. My name is Bronwyn Farias. I am testifying in opposition of SB692. This bill sets a very dangerous precedent in attempting to manipulate food security, impede growth through unfair legislation, adversely affect small ranchers by controlling the slaughter % output, and drastically reduce food sustainability on an island that needs in-home production of local food source. The economic impact of the loss/reduction of beef production will create economic disaster for small ranchers and greatly reduce a viable tax on commodities in a time when we need a diversified tax base. What kind of beef producer would seek legislation to limit beef productivity. This is an obvious and blaring red flag for the beef industry.

SB-692

Submitted on: 2/16/2021 11:52:13 AM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
William G. Jacintho	Individual	Oppose	No

Comments:

The feedback I've been getting from many ranchers is to oppose the bill as written, because there are too many unreasonable concerns written in the bill. It is not clean, and restricts business. I especially like what Testifiers said in the House Bill about the needs of Hawaii's Slaughter Facilities, that we need more pen space, chill space, etc, to accommodate the anticipated increase of Hawaii beef,,,,, which the owner has committed to building on his nickle. Along with that, comes the requirement for more Inspectors, in order to run more shifts to accommodate all livestock, that need to be put into the food system. Right now, required slaughter and processing inspectors are short handed, and we haven't gotten to high volume slaughter and processing yet. We're sharing Inspectors among Islands. **Inspectors are currently being floated traveling to and from other islands**, and with this COVID situation, we're opening our selves up for a disaster to happen.

The bottle necks are what we should be addressing that are hindering the Industry from moving forward with it's goal. If the Senate passes SB692 as written, the bill passes improperly written, and will not solve the real needs.

1 - We need to be sure slaughter houses and processing plants have the **Inspectors in place** in order to have more work hours to accommodate the increase in flow/put through. As I mentioned above, currently, we don't have that, and you can have the pen space, the chill space, and all the labor in the world to do the job, but they wouldn't be able to operate.

2- Ranchers that have been already providing local beef for generations say their biggest concern is securing their current spots in the slaughter and packing operations, and not loose it to the new movement. Bookings are already months behind. It's not fair to be booted out, to make room for the new plan.....

This is a bill that many people (both ranchers and buyers) have concerns with. We need a solid position regarding the efforts to provide more local beef locally. The goal of the Industry is not control, but have free flow and working together as an industry, and seek available markets, especially ones with imports. Putting these percentages of who gets what and who doesn't, is not going to make it work successfully. We can all function, but we'll need the support of our state legislators to fill these Inspector positions in order to have success.

SB-692

Submitted on: 2/16/2021 12:04:09 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
KENNETH MIRANDA	Individual	Oppose	No

Comments:

I am Ken Miranda and I strongly oppose SB 692. I am the GM for Kaonoulu Ranch on Maui and the owner of 7M Livestock.

SB-692

Submitted on: 2/16/2021 12:12:17 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jimmy Greenwell	Individual	Comments	No

Comments:

I basically concur with the testimony on SB 692 of the Hawaii Cattlemen's Council (i.e. support parts but with reservations and comments) and the Position Statement on Local Beef Production attached thereto. The issues raised by the current leasehold control situation at Paauilo and Kalaeloa are very significant and could represent either a threat or an opportunity for the local beef industry depending on how the stakeholders proceed. We as an industry need to advocate for both the smaller producers who need expanded market access and rely on the success of the packer's "house brand" as well as those producers who are willing to invest in their own branded products. In my opinion, the success of each is critical and the interests of both sides can and need to be balanced driven primarily, if possible, by a dialogue in the spirit of COOPERATION - a balance struck between "competition" and "cooperation" which benefits both sides. I am encouraged that the framework for this dialogue has been proposed since the hearing on HB 1206 and appears to be mutually supported by both Parker Ranch and Mr. Vandersloot and am hopeful that the need for legislation and the specifics thereof to support what is best for the industry overall shall be apparent following such dialogue.

SHAN S. TSUTSUI

The Honorable Mike Gabbard, Chair
and Members of the Senate Committee on Agriculture and the Environment

Date: February 17, 2021

Time: 1:45 PM

Place: VIA Video Conference

Testimony in Support of SB 692, Relating to Food Security

Aloha Chair Gabbard and Members of the Committee:

I write in support of Senate Bill 692, Relating to Food Security.

The integrity of the market is essential. The only way Hawaii can increase its food security is with a diverse set of producers and packers across the state, reflecting each island's ecosystem. This proposed legislation attempts to codify the best practices built over time, combine cooperation and competition, and ensures a fair and competitive marketplace for beef in Hawaii.

The proposed legislation also mirrors federal law by prohibiting deceptive practices and unreasonable preferences and caps market control of statewide meatpacking at 70%. This is the national standard. An overly dominant player in the meatpacking sector should not be allowed to harm competition and upset the marketplace for ranchers/producers and ultimately consumers.

The economic impact of food import replacement is significant. This bill ensures a level-playing field for ranchers and producers and will promote continued growth in the ranching industry, job creation, and food security for Hawaii.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read 'S. Tsutsui', with a stylized flourish at the end.

SHAN S. TSUTSUI

SB-692

Submitted on: 2/16/2021 1:26:18 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jayson M Watts	Individual	Support	No

Comments:

Aloha Chair Gabbard and Members of the Committee:

I write in support of SB 692, Relating to Food Security.

Mahalo for the opportunity to testify.

SB-692

Submitted on: 2/16/2021 1:29:41 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Bryan	Individual	Oppose	No

Comments:

If this bill passes it will take away opportunities for the smaller ranchers/cattle producers to sell and market there animals. Also competition and growth is good for all industries. Parker Ranch can't/shouldn't be the only act in Hawaii's cattle industry. Kill this bill. Mahalo!

SB-692

Submitted on: 2/16/2021 1:38:11 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Whitney Boteilho	Individual	Support	No

Comments:

J. M. Gressard, D.V.M.
H. M. Richards III, D.V.M.
L. B. Wood, D.V.M.
E. C. Hamilton, D.V.M.

VETERINARY ASSOCIATES, INC.
P.O. BOX 839 • KAMUELA, HAWAII 96743



PHONE (808) 885-7941
FAX (808) 885-3418

Date: February 15, 2020

To: Chair Gabbard, Vice Chair Nishihara and Members of the Committee,

Fr: Lisa Wood, DVM

Re: SUPPORT for SB692

Dear Chair Gabbard, Vice Chair Nishihara and Committee Members,

My name is Lisa Wood and I am writing in support of SB692. I am a practicing veterinarian who has worked with Hawaii beef producers for over 30 years and a past president of Hawaii Cattlemen's Council.

Our industry is in strong support of expansion of our meat harvesting and processing capacity and we welcome the investment that the new ownership of Hawaii Meats and Hawaii Beef Packers represent. It is also important for our producers and other potential investors in our beef industry to be assured that state-owned facilities will not be used to provide an unfair advantage to private business owners.

SB692 asks our state leaders to consider oversight to help new ownership provide transparency in managing these state-owned facilities which together control the large majority of meat packing in Hawaii.

It is not the intent of this bill to lord over the new ownership of these plants but to help them be successful in their endeavors.

While the interest in locally sourced food has been growing, the corona virus pandemic has placed an even greater spotlight on the need for Hawaii to have a safe, secure and robust agricultural community. The inherent conflicts between producers and processors should not be overshadowed by the need for all stakeholders, including state legislators, to work together responsibly to meet our food sustainability goals.

Thank you for the opportunity to comment on this bill.

Sincerely,

Lisa B Wood, DVM

Date: February 16, 2021

To: Chair Gabbard
Vice Chair Nishihara
Committee Members: Senators Acasio, Rhoads, and Fevella

Fm: Jill Mattos - Former Owner and Operator of Hawaii Beef Producers Paauilo

Re: **SUPPORT for SB692**

Dear Chair Gabbard, Vice Chair Nishihara, and Committee Members,

I am writing this testimony in full support of SB692.

As the former owner and operator of Hawaii Beef Producers in Paauilo,

In the past 15 years, there have been many changes in the plant and our operations. We have learned to work with both large and small ranchers across the island of Hawaii. Working with each rancher, whether producing their own brand or using HBP's label, they were both vitally important in keeping the plant strong, and helping Hawaii's local beef industry.

Change is good. I believed when I sold my shares of the plant that change would be the best for the Paauilo Plant and for the beef industry. I still believe this today.

Small ranchers, as well as big ranchers, have always had the opportunity to process their cattle at HBP. Recently, however, I have witnessed promises made by the new owner but nothing has been put in writing as requested by the ranchers. For the past 15 years at HBP, under local ownership, we operated with respect, honor, and loyalty for all ranchers, big and small, who have worked so hard to build their programs. These ranchers have worked for generations in building their programs and need written contracts to assure them that they will have the freedom and ability to grow their programs as they have in the past.

To this day, the new owner has yet to provide any guarantees or contracts in writing. Many ranchers are deeply worried and concerned that the new owner has a monopoly on slaughter and processing, and at the same time, has his own cattle holdings and his own brand to market. Many ranchers feel threatened by this and feel that they will end up competing in a losing battle, against an individual that controls everything related to local beef in Hawaii.

During the testimony in the house for 1206, I listened to a big island rancher say that he waited over 8 months for a slaughter opportunity at HBP. Not only was this an outright lie, the rancher that testified this is the actual lease holder of the state lease of the Paauilo Plant - for the new owner of HBP. The week before the testimony at for HB1206, I also witnessed an email go out from the new owner using false accusations to attack a rancher who built her program from a single calf to one of the state's most successful programs of local beef across this state. This rancher that was falsely attacked helps over 40 other small ranchers to get their cattle to market through the program that she built. Hawaii's local beef industry does not need a monopolist that behaves this way. This type of behavior and this level of control will put Hawaii's local beef industry in danger.

SB-692

Submitted on: 2/17/2021 11:13:18 AM

Testimony for AEN on 2/17/2021 1:45:00 PM



Submitted By	Organization	Testifier Position	Present at Hearing
Kamuela Barr	Testifying for Hawaii Meats, LLC	Oppose	No

Comments:

Aloha mai kākou! 'O Kamuela wau. O Nānā kuli ku`u Āwe hānau. My name is Kamuela Barr and I am from Nānā kuli, O'ahu. I strongly oppose SB692. I am the Business Manager for Hawaii Meats, LLC and I've been working in the agriculture industry for more than 9 years. In this industry, my passion has always been in favor of an agriculturally sustainable Hawai'i. In order for our ranching community to grow, for Hawaii to become increasingly independent from mainland resources (meats), and for our local workforce to grow, we need to increase the throughput of our local slaughterhouses. To do that, we need to increase the capacity of these facilities. This includes slaughterhouses Hawaii Meats and Hawaii Beef Producers. I strongly oppose SB692 because it limits the growth and future opportunities for our local agriculture industry. Under the direction of Bobby Farias, Hawaii Meats has always been inclusive of Hawaii ranchers, whether large or small. Over the years, Hawaii Meats has demonstrated this inclusiveness by aggregating cattle from more than 70 plus local ranchers and the results are evident in the increased pounds of beef produced each year, since ownership. This inclusiveness has created a fair market for local ranchers and an alternative to exporting cattle to the mainland. Food Security is my greatest concern and unfortunately, we cannot assuage these concerns with SB692. Please defer SB692.

LATE

February 17, 2021

Committee on Agriculture and Environment
Honorable Senator Mike Gabbard, Chair
Honorable Senator Clarence K. Nishihara, Vice Chair
Submission via online testimony

RE: Opposition of SB 692

Hearing Date/Time: February 17, 2021 at 1:45 p.m.

Dear Senators:

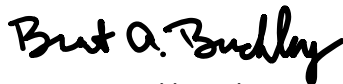
I served in the capacity of the University of Hawaii, College of Tropical Agriculture and Human Resources beef extension specialist for 30 plus years and retired 2 years ago. During my tenure I witnessed the changes in the beef industry, from a 13,000 head feedlot, two mid-sized slaughter and processing plants on Oahu, the beginning and end of Hamakua's sugar venture into the cattle business and the large scale export of feeder cattle to mainland markets and the subsequent decline in local cattle slaughter and processing facilities.

In recent years, consumers have increased their demand for grass finished beef and more cattle are remaining in Hawaii to meet this market. However, this has strained the rather fragile existing slaughter facilities and led to back logs of cattle to go to market. This is an entirely undesirable situation for a live animal product which, if not marketed in a timely manner, becomes less palatable and acceptable to the consumer. This has negative implications of the acceptance of the local beef and hampers further growth of this market.

SB 692, concerns me in that it has the potential to limit growth of the slaughter and processing area in Hawaii. Like others, I am concerned with monopolistic practices and this is perhaps the only positive area within this bill. However, I think it remains to be seen if practices affecting the pricing of cattle and availability of slaughter will develop and at this point this bill is very premature regarding those concerns.

I urge the committee to reject this bill as currently submitted and I hope that the beef industry and the slaughter components of the industry can reach agreements without legislative requirements to facilitate the growth and sustainability of the Hawaii beef industry.

Respectfully,



Brent A. Buckley, Ph.D.

SB-692

Submitted on: 2/17/2021 12:36:14 PM

Testimony for AEN on 2/17/2021 1:45:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
DeeDee Bertelmann	Individual	Support	No

Comments: