

STATE OF HAWAII  
AGRIBUSINESS DEVELOPMENT CORPORATION  
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TESTIMONY OF JAMES NAKATANI  
EXECUTIVE DIRECTOR  
AGRIBUSINESS DEVELOPMENT CORPORATION  
BEFORE THE HOUSE COMMITTEE ON ECONOMIC  
REVITALIZATION & BUSINESS

Tuesday, March 13, 2012  
8:30 am  
Conference Room 312

SENATE BILL NO. 2272, SD 1  
MAKING AN APPROPRIATION FOR THE CONSTRUCTION OF A  
VAPOR HEAT TREATMENT FACILITY

Chairperson McKelvey and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 2272, SD 1. The purpose of this bill is to appropriate \$1,500,000, or so much thereof, from the general revenues of the State, for the Agribusiness Development Corporation (ADC) to construct a vapor heat treatment facility on the island of Hawaii. ADC strongly supports this bill.

There is much at stake for the papaya industry in Hawaii at this time. With the December 1, 2011 approval of the Rainbow Papaya for commercial sale in Japan, the immediate elimination of the 30 percent duty for papayas included in the terms of the US-Korea Free Trade Agreement, and the current mission by the State to determine a path for deregulation into China, it is prudent to prepare for the potential for a steep growth in demand for papayas from Hawaii. The papaya industry is excited and hopeful that Hawaii papayas can once again dominate the export market in Japan. This bill will provide the facility the farmers need to complete the export process from Hawaii.

Vapor treatment is an acceptable form of post-harvest treatment for other fruits to be approved for export to international destinations and will support the Hawaii fruit farmers and prepare for the growth in demand for those tropical fruits as well.

ADC is a strong advocate for the sustainability of agriculture in Hawaii and supports this bill. Thank you for the opportunity to comment on this bill.

The Twenty-Sixth Legislature  
Regular Session of 2012

HOUSE OF REPRESENTATIVES  
Committee on Economic Revitalization & Business  
Rep. Angus L.K. McKelvey, Chair  
Rep. Isaac W. Choy, Vice Chair  
Hawaii State Capitol, Conference Room 312  
Tuesday, March 13, 2012; 8:30 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2272, SD1  
MAKING AN APPROPRIATION FOR THE CONSTRUCTION OF A  
VAPOR HEAT TREATMENT FACILITY**

The ILWU Local 142 opposes S.B. 2272, SD1, which authorizes general obligation bonds for the construction of a vapor heat treatment facility by the Agribusiness Development Corporation on the island of Hawaii at a location to be determined by ADC.

Although we normally would not oppose state subsidies intended to promote economic activity, this particular measure is clearly not needed. Four facilities currently operating on the Big Island are capable of treating papaya and other tropical fruits with vapor heat and making the fruit suitable for export. Thus, we believe there is sufficient capacity at these facilities to treat all the fruit grown on the Big Island. Having the State support funding for a new facility will only provide unfair competition for existing vapor heat treatment facilities and may even drive them out of business.

A better use of any funding would be for research and marketing to assist both the farmers and the packing facilities. If that is not possible, we recommend that S.B. 2272 be shelved.

Thank you for considering our views on this matter.



## **Diamond Head Papaya Co., Ltd.**

16-309-A Old Volcano Road • Keaau, Hawaii 96749  
Telephone: (808) 966-7406 • Fax: (808) 966-6464

TESTIMONY BEFORE THE STATE HOUSE OF REPRESENTATIVES  
THE TWENTY SIXTH LEGISLATURE  
RELATING TO MAKING AN APPROPRIATION FOR THE CONSTRUCTION OF A VAPOR HEAT  
TREATMENT FACILITY  
BILL 2272  
March 13, 2012 at 8:30 a.m.  
STATE OF HAWAII

Chair, Rep. Angus L.K. McKelvey  
Vice Chair, Rep. Isaac W. Choy

Committee Members:

TESTIMONY OF DIAMONDHEAD PAPAYA IN OPPOSITION TO S.B. 2272  
My name is Keisuke Horiike and I am the President of Diamond Head Papaya ("DHP"). DHP has been operating a papaya packing plant since 1974 on the island of Hawaii. The DHP plant and three other plants on the island of Hawaii are vapor heat treatment facilities, all built and operated at private cost. DHP is opposed to SB 2272, which appropriates \$1.5 Million for the construction of a vapor heat treatment facility on the island of Hawaii. DHP is opposed to SB 2272 for the following reasons:

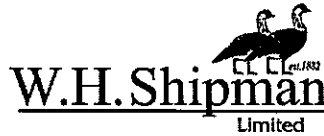
1. It is unfair to spend \$1.5 Million of taxpayer money for a vapor heat treatment facility to benefit one or a few distributors when four private companies have spent their own money for vapor heat treatment facility. This gives the one or more new distributors a competitive advantage and a subsidy from the taxpayers.
2. A similar government funded vapor heat treatment facility erected on Kauai after Hurricane Iniki failed.
3. An appropriation of public money, be it the \$1.5 Million or a lesser amount, is better used to the benefit of the papaya industry as a whole.
  - a. The money can be used to strengthen the papaya inspection program;
  - b. The money can be used to educated consumers about the Rainbow variety; and/o
  - c. The money can be used to improve the Rainbow variety.

Strengthen the Inspection Program: Because of funding cutbacks, the Department of Agriculture has had to reduce its papaya inspection program by one-half. The inspection program is critical in determining which plants and fields are infected by the ring spot virus, so that they can be destroyed to prevent the further spread to other plants and fields. Monies are better spent in strengthening the inspection program.

Educate Consumers about the Rainbow variety: Dr. Gonsalves and his colleagues at the University of Hawaii have developed the genetically modified Rainbow variety of papaya. Genetically modified or GMO products, as they are called, often receive negative consumer reaction. Japan, for example, requires that all Rainbow papaya imported bear a GMO label. Japanese consumers largely do not accept GMO Rainbow papaya.

While the mainland markets do not require GMO labels, many mainland wholesalers and retailers are reluctant to handle GMO products. Safeway, for example, does not accept Rainbow papayas for their mainland markets. Frankly, because no GMO labels are required for the mainland, many of the consumers there are not aware that the Rainbow variety is genetically modified or even that there are different varieties of papayas. Hawaii's share of the mainland market has dropped from 80% in 1995 to 15% today. In order to regain market share, we need to educate mainland (and perhaps, even Japanese) wholesalers, retailers and consumers that the Rainbow papaya is very safe. Such educational and marketing programs cost money and that's where taxpayer money is better spend.

Improve the Rainbow variety: The present Rainbow product benefits the grower because of its viral resistant characteristic. However, it would help sell the variety if consumer benefits were also developed. Examples of this would be tripling the Vitamin C or doubling the Beta Carotid, and marketing the product as Hawaii's health solution. In conclusion, in these times, one must think carefully about spending taxpayer dollars. Public funds should be spent for public, not private, benefit. The money that you are being asked to spend for private benefit can be used instead to benefit the papaya industry and general public good instead.



TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
EOCONOMIC REVITALIZATION & BUSINESS

SENATE BILL 2272

MAKING AN APPROPRIATION FOR THE CONSTRUCTION  
OF A VAPOR HEAT TREATMENT FACILITY

PRESENTED TO THE TWENTY-SIXTH LEGISLATURE  
STATE OF HAWAII

FEBRUARY 2012

CHAIRPERSON ANGUS L.K. McKELVEY and Members of the Committees:

**STRONGLY OPPOSE.**

My name is William Walter, President at W. H. Shipman, Limited in Keaau on the Big Island. We are a local kama'aina-family owned land management company that is engaged in Agriculture and Commercial/Industrial development and leasing. We currently lease lands to over 130 individually growers Keaau.

W. H. Shipman, Ltd., and their growers are strongly opposed to SB 2272 Relating to Making An Appropriation for the Construction of a Vapor Heat Treatment Facility. There are presently three (3) Vapor-Heat Treatment Facilities and one (1) Irradiator in the Keaau area that are used for preparing products for export to CONUS and Japan. These facilities are running at less than a one-third of capacity. (Note: Shipman neither owns nor is vested in any of the current treatment facilities).

The requested \$1.5 million of taxpayers' money would simply build yet another facility. It would compete with the current processors in the private industry AND itself be under utilized. Under a similar program the government funded a vapor heat facility on Kauai. That facility is now defunct and in bankruptcy. If the State wishes to assist the industry, money spent on marketing through, for instance, HPIA would increase demand for Hawaii grown products, increasing employment and utilization of current facilities.

Thank you very much for the opportunity to provide testimony on SB 2272.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 11, 2012 11:57 AM  
**To:** ERBtestimony  
**Cc:** oyama\_farm@yahoo.com  
**Subject:** Testimony for SB2272 on 3/13/2012 8:30:00 AM

Testimony for ERB 3/13/2012 8:30:00 AM SB2272

Conference room: 312  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Roy Oyama  
Organization: Individual  
E-mail: [oyama\\_farm@yahoo.com](mailto:oyama_farm@yahoo.com)  
Submitted on: 3/11/2012

**Comments:**

This should bring better revenues to the farmer!! of big Island and I favor the farmer in profitability which will create expanded business for the State as well in bringing more dollars to State of Hawaii!! Remember, we need farmers to help Hawaii to sustainability!!??

Mahalo Roy Oyama

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 12, 2012 9:27 AM  
**To:** ERBtestimony  
**Cc:** ericw@calavo.com  
**Subject:** Testimony for SB2272 on 3/13/2012 8:30:00 AM  
**Attachments:** Testimony OPPOSING SB 2272.doc

Testimony for ERB 3/13/2012 8:30:00 AM SB2272

Conference room: 312  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: Eric Weinert  
Organization: Individual  
E-mail: [ericw@calavo.com](mailto:ericw@calavo.com)  
Submitted on: 3/12/2012

Comments:

103  
Testimony OPPOSING SB 2272

Senators,

This bill is a waste of tax payer money and should be rejected.

Hilo has an over abundance of capacity for treating papaya to meet quarantine regulations. There are currently 4 treatment facilities. Lack of treatment capacity or the cost of treatment is not the problem with the papaya industry. Calavo's certified Japanese vapor chamber and the vapor chamber at Hawaii Rainbow Produce have excess capacity and are available. No one has contacted either of our companies to discuss using these assets to meet the anticipated Japanese demand and to pack to the standards envisioned.

Building additional capacity to treat papaya with State subsidized taxpayer money will drive down the price of papaya. This hurts growers who are already struggling to make ends meet growing papaya. Additionally, it will force the existing treatment facilities to reduce prices to stay in business, resulting in cost cutting measures that may mean layoffs and reductions in wages. Calavo Growers employs packers under contract with ILWU union. No new jobs will be created by this bill. No additional papaya will be exported. There are no studies supporting claims of job creation, impact on the papaya industry, or quantifying the anticipated market. I am the General Manager of the Calavo Growers, Inc papaya treatment facility in Keaau, the largest Hawaiian exporter of papaya to the Mainland US. We have over 80 employees who pack and treat papaya. We contract with 50 growers to supply papaya. Please have the common sense to keep the State from interfering with, competing with and disrupting private business.

I understand the concerns about papaya quality raised by proponents of SB2272. We disagree on the solution and the impact this proposed plant will have the Hawaii Papaya Industry. I also believe there is not a full understanding by the proponents of SB 2272 of the economic realities of the papaya business.

The HPIA met this past week and agreed to **oppose SB2272**. As a member of the Board of HPIA, I welcome the opportunity for our Board to discuss problems facing the industry and possible solutions directly with persons in government. Industry consensus on proposed solutions should be obtained prior to introducing legislation asking for public funding for projects directly impacting that industry.

Sincerely,  
Eric Weinert  
General Manager Hawaii Operations  
Calavo Growers, Inc.  
16-664 Milo St., Keaau, HI 96749  
808-982-8880 ext 12 fax 982-8881

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 12, 2012 11:33 AM  
**To:** ERBtestimony  
**Cc:** houlep@gmail.com  
**Subject:** Testimony for SB2272 on 3/13/2012 8:30:00 AM

Testimony for ERB 3/13/2012 8:30:00 AM SB2272

Conference room: 312  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: Peter Houle  
Organization: Hawaiian Rainbow Produce  
E-mail: [houlep@gmail.com](mailto:houlep@gmail.com)  
Submitted on: 3/12/2012

Comments:

Dear Representatives,

Please do not use State Government money to compete with my family owned and operated Vapor Heat Treatment Facility. My family struggled to build this facility ourselves with our own personal hard earned dollars. My daughter who is a cancer survivor, my son who has muscular and neuron-apathy, my wife who also had cancer and myself I have epilepsy, we beg you not to close down our company which like many others in Hawaii face tough economic times. This 1.5 million dollars will actually go to one of our competitors to revitalize his struggling company. This is unfair. It actually means picking winners and losers in the papaya business. I never thought this was the role that you Representatives were voted by the people to do. Please email me so I can tell my customers around the world and brand new buyer of my Rainbow papaya in Japan why and how my Government played a role in forcing me out of business.

Please tell my daughter who just graduated from U of H at Hilo, survived cancer and us now taking over our business and fulfilling her Field of Dreams that you now competing with her in the private sector and will force her out of business.

Her name is Vanessa. Phone 1-808-895-2149.

Thank you.

peter houle

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 12, 2012 10:48 AM  
**To:** ERBtestimony  
**Cc:** houlep@gmail.com  
**Subject:** Testimony for SB2272 on 3/13/2012 8:30:00 AM

Testimony for ERB 3/13/2012 8:30:00 AM SB2272

Conference room: 312

Testifier position: Oppose

Testifier will be present: No

Submitted by: peter houle

Organization: VAPOR HEAT TREATMENT FACILITY. FAMILY OWNED

E-mail: [houlep@gmail.com](mailto:houlep@gmail.com)

Submitted on: 3/12/2012

Comments: