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TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT AND
THE SENATE COMMITTEE ON HIGHER EDUCATION

MONDAY, MARCH 16, 2020

2:45 P.M.

CONFERENCE ROOM 224

SENATE CONCURRENT RESOLUTION NO. 81 AND SENATE RESOLUTION NO. 48
REQUESTING THE DEPARTMENT OF AGRICULTURE, IN COLLABORATION WITH
UNIVERSITY OF HAWAII ECONOMIC RESEARCH ORGANIZATION, TO CONDUCT
AN ECONOMIC IMPACT STUDY TO ASSESS THE IMPACT OF POTENTIAL
CHANGES TO COFFEE LABELING REQUIREMENTS ON THE LOCAL COFFEE
INDUSTRY

Chairpersons Gabbard and Kim, and Members of the Committees:

Thank you for the opportunity to testify on S.C.R. 81 / S.R. 48, which requests the Department of Agriculture, in collaboration with University of Hawaii Economic Research Organization (UHERO), to conduct an economic impact study to assess the impact of potential changes to coffee labeling requirements on the local coffee industry.

The Department supports the Hawaii coffee industry and offers comments. The Department agrees with this concurrent resolution that the local coffee industry remains divided on changing the labeling requirements for Hawaii-grown coffee and whether changing the State's labeling requirements will have a serious impact on Hawaii's coffee farmers and industry. The Department is cognizant on these critical issues and seeks to address them on an ongoing and continuous basis.



On the feasibility of conducting an economic impact study to assess potential changes to Hawaii's coffee labeling laws, the Department defers to UHERO, in-light of the complexity, tight timeline, and the absence of dedicated resources.

The Department notes that while farmgate data on coffee is available at the aggregated state level, it is limited at the county level and negligible at the regional level (e.g. Kona or Kau). Furthermore, important data on origin, grade, weight, value, and conversion rate in the various forms of coffee (e.g. cherry, parchment, green, roasted) are not readily available.

Finally, the Department lacks the ability to collect and compile such detailed information on coffee due to a shortage of staff and survey resources. The Department currently has only three field statisticians across the state, with two of them as new hires to conduct surveys on crop production and wholesale produce.

Thank you for the opportunity to submit our testimony.

SR-48

Submitted on: 3/15/2020 2:33:26 PM

Testimony for AEN on 3/16/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Miyamoto	Testifying for Hawaii Farm Bureau	Support	Yes

Comments:

SR-48

Submitted on: 3/9/2020 4:36:39 PM

Testimony for AEN on 3/16/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Vivian S. Toellner	Individual	Comments	No

Comments:

Aloha, As a consumer I appreciate and want "Truth in Advertising". A company should be proud to let me know what it is selling me. Ingredients are crucial to me and I want to know,. It is my right to know....in my opinion...(can I fed you anything? and remember don't ask and I won't tell ! Just kidding on my side.)

Now from a financial side, the more special your product the more you can demand. Kona coffee is a worldwide desirable product with name recognition, has a reputation to uphold., and needs protection. The need to conduct a "study" may just be a stalling tactic? That is why I did not support or oppose this study.

BUY the way,i I collect, current kind, coffee bags, the 8oz or pound size, with nice colorful paper labels on them. I shop for those unique local items to add to my 100% Kona coffee collection. Coffee to Kona, is a major tourist and economic driver, please realize this, and act accordingly. Thank you for being progressive and allowing testimony by internet. Aloha & Mahalo, Vivian Toellner, Coffee Drinker

Monday, March 16, 2020

Senate Resolution 48 / Senate Concurrent Resolution 81
Testimony in Support

Requesting the Department of Agriculture, in collaboration with University of Hawaii economic research organization, to conduct an economic impact study to assess the impact of potential changes to coffee labeling requirements on the local coffee industry.

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

I am writing in **support of SR48/SCR81** and to urge the Senate to support this critical research for our coffee industry. Without the information such a study would generate, tinkering with the current blend percentage is very risky; it may do great harm to our farmers rather than great benefit.

I am a coffee scientist, consultant, and entrepreneur. I did my graduate work at UH Mānoa entirely on coffee in a variety of scientific disciplines. I've authored 4 coffee books, including two editions of *The Hawai'i Coffee Book*, I owned a coffee roastery in Kona for six years, and I've participated in the coffee industry on every producing island in the 20 years I've lived in Hawai'i.

Proponents of increasing the blend percentage often cite a 2010 economic study by Dr. Marvin Feldman as evidence that Kona farmers are missing out on potential earnings and that 10% Kona blends damage the reputation of Kona coffee. While the mathematical calculations of the study are correct, there are 3 assumptions made that I believe are incorrect, thus invalidating the entire analysis.

The analysis assumes that 1) every Kona coffee farmer supplies coffee for the blends and that 2) only 10% of each farmer's crop is used in the blends, and 3) that 100% Kona coffee always tastes great and is certainly better than any 10% Kona coffee blend. Unfortunately, nobody has any data for points 1 and 2 but I believe more realistic assumptions are that, conservatively, 1) most Kona coffee farmers (80%) probably supply some amount of their harvest to blends while 65% of farmers supply *all* of their coffee to blends and 2) at least 55% of *all* Kona coffee is used to create 10% blends. As for the cup quality of 100% Kona coffee, it varies widely no matter what metric is used to define and measure quality. In other words, there is some terrible 100% Kona coffee out there; any consumer can try 100% Kona coffee and be turned off by the entire region.

A change in the minimum blend content would steeply increase the cost of a blend. This could turn off many consumers from buying these blends thereby eliminating the primary sales channel for most of the coffee that goes into the blends. If my calculations are reasonable, then over half of Kona farmers would lose the only sales outlet for their coffee. There would then be a glut of coffee on the market (harming all Kona coffee farmers) and hundreds of Kona coffee farmers in a business and financial crisis!

In truth, we don't know which assumptions are correct. The only way we'll come close to knowing what might happen is if we change the blend content minimum is to do research. This resolution proposes such a study to be done by an independent 3rd party with intellectual support from industry members. We need this study. We need to ensure any changes we make are likely going to support our industry, not harm it.

Please, support this resolution.
Respectfully submitted,

A handwritten signature in purple ink, appearing to read "Shawn Steiman". The signature is fluid and cursive, with the first name "Shawn" and last name "Steiman" clearly distinguishable.

Shawn Steiman, PhD