

JAN 22 2021

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# A BILL FOR AN ACT

RELATING TO FOOD SECURITY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Hawaii's historic ranching and cattle industry  
2 has been recently rejuvenated by the efforts of local companies  
3 and demand from local consumers who prefer locally sourced foods  
4 and have an interest in encouraging Hawaii's food self-  
5 sufficiency. Hawaii grown beef is now readily available at  
6 restaurants and local grocery stores across the State. Despite  
7 growing demand for Hawaii grown beef by local consumers, the  
8 limited capacity of meatpacking plants severely limits the  
9 ability of Hawaii ranchers to process Hawaii grown beef for  
10 local consumption on a larger scale.

11           Significant concentration of control of the meatpacking  
12 industry increases the opportunity for anti-competitive  
13 behavior, which could harm the cattle producers, consumers, and  
14 the local economy, and ultimately discourage the continued  
15 growth of burgeoning industry. The benefits of import-  
16 substitution can also lead to export-led growth, future sources  
17 of job creation, economic independence, and increased food



1 security. Encouraging competition and ensuring the involvement  
2 of all stakeholders will facilitate the growth of local beef  
3 production by favoring fair pricing for both the producers and  
4 consumers.

5       There have been federal efforts to discourage anti-  
6 competitive behavior and increase transparency for all  
7 participants in the cattle industry. The Livestock Mandatory  
8 Reporting Act (7 C.F.R. § 59 et seq.), requires large meat  
9 packers to report prices and other information on purchases of  
10 cattle on a daily and weekly basis.

11       This information is published by the United States  
12 Department of Agriculture (USDA) to provide all buyers and  
13 sellers of cattle with accurate and objective market information  
14 to determine competitive pricing. The Livestock Mandatory  
15 Reporting Act terminated on September 30, 2020, but the USDA  
16 continues to collect this information. All Hawaii participants  
17 who were federally required to make such reports are encouraged  
18 to continue reporting pertinent information to the USDA.

19       The Packers & Stockyards Act of 1921, as amended, is  
20 intended to assure fair competition and fair-trade practices  
21 among stakeholders in the meatpacking industry. Recently



1 published revised regulations (9 C.F.R. § 201 et seq.) prohibit  
2 in relevant part, any undue or unreasonable preference or  
3 advantage to any person or locality that cannot be justified as  
4 a reasonable business decision.

5 In Hawaii, there are meatpacking plants in Kapolei, Oahu  
6 and Paauilo, Hawaii. The operator of these two plants currently  
7 controls seventy per cent of the beef cattle processing capacity  
8 in the State and ninety per cent of the beef cattle processing  
9 capacity on Hawaii island.

10 The purpose of this Act is to:

- 11 (1) Increase Hawaii's food security;
- 12 (2) Maintain and facilitate local job creation by  
13 encouraging the production of locally raised cattle  
14 and locally processed beef; and
- 15 (3) Institute safeguards to prevent anti-competitive  
16 practices in the meatpacking industry.

17 SECTION 2. Chapter 159, Hawaii Revised Statutes, is  
18 amended by adding a new section to part V to be appropriately  
19 designated and to read as follows:



1           "§159-    Limitation of meat processors; accounts and  
2 records of business; trade practices. (a) Lessees and  
3 operators of State-owned meat processing establishments shall:

4           (1) Limit slaughter and meat processing capacity to no  
5 more than fifty per cent for house-branded meat  
6 products that are owned or controlled by the lessee  
7 and operator of the State-owned meat processing  
8 establishment; and

9           (2) Annually report to the department its efforts to  
10 invoke stakeholders in ensuring that the vision and  
11 direction of the meat processing establishment is in  
12 the best interest of the State and its food security,  
13 sustainability, and safety goals. The report shall  
14 include the lessee or operator's business plans  
15 showing existing and projected markets and sources of  
16 cattle supply.

17           (b) Lessees and operators of State-owned meat processing  
18 establishments shall:

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



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

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

12      (c) Lessees and operators of State-owned meat processing  
13      establishments shall not hold or control, either directly or  
14      indirectly, more than seventy per cent of meat processing  
15      capacity statewide unless a market study is commissioned and  
16      reviewed by the board with a finding of adequate market  
17      competition.

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



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

- 6        (1) Provide timely, accurate, and reliable market  
7        information;  
8        (2) Facilitate more informed marketing decisions; and  
9        (3) Promote competition in the meat processing industry.

10 Such information shall include but not be limited to the average  
11 price for cattle, average quantity of cattle delivered and  
12 committed to the meat processor, and slot allocations by  
13 producers to house-brands controlled by the meat processor and  
14 customer brands controlled by ranchers and other producers."

15        SECTION 3. New statutory material is underscored.

16        SECTION 4. This Act shall take effect upon its approval.

17

INTRODUCED BY: 



# S.B. NO. 692

**Report Title:**

Food Security; Meat Processing Industry; Fair-trade Practices

**Description:**

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

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

