



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
JANUARY 31, 2023
Re: SB113 RELATING TO THE LABELING OF PRODUCTS**

Good morning, Chairperson Keohokalole and members of the Senate Committee on Commerce and Consumer Protection. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901 and is a statewide, not for profit trade organization committed to supporting the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, on-line sellers, local, national, and international retailers, chains, and everyone in between.

The Retail Merchants of Hawaii appreciates the intent of this measure however we do have some major concerns. This measure clarifies that in calculating whether a product labeled "Made in Hawaii" has met the requirement that at least fifty-one per cent of the wholesale value of the product is added by manufacture, processing, or production within the State, operating and overhead expenses incurred and spent within the State shall be included. Appropriates funds to promote and develop the "Made in Hawaii" brand.

Hawaii has to import a lot of raw materials to make items that include but not limited to apparel, edibles, and jewelry. However, to blanket a 51% to the wholesale value for all products to be considered made in Hawaii may do more harm to producers.

For example, local bakers who get a lot of their raw ingredients from mainland and international sources (albeit flour, sugar, butter, oil, cream, milk...) may not meet the criteria to be considered made in Hawaii. Some have to source non-local items as the quantity ordered cannot always be fulfilled on a constant basis or at the price point need to keep the product affordable.

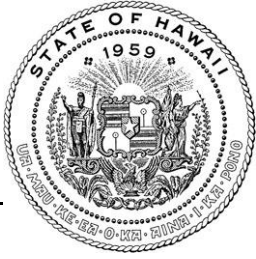
We wonder how this would affect our local coffee farmers who would have to use a lot more locally grown coffee beans to qualify to be considered made in Hawaii. The cost of this product would significantly increase. Kona Coffee is one of the most expensive in the world and would be a deterrent for people and businesses to purchase locally grown coffee if prices are too high and find alternative cheaper brands that are not from local coffee growers.

A lot of apparel and accessory vendors sources their materials from the mainland or internationally. Hawaii does not manufacturer items like bolts of material or t-shirts. Some of the dyes and prints are also being sourced outside of Hawaii. For some cottage industries, this may not be an issue as they are able to do this printing out of their home. For larger local companies who uses larger quantities of materials, they have to outsource.

From the pandemic we have seen many manufacturing businesses closing, causing a shortage of local options for businesses.

Retailers like many businesses are struggling to survive and to keep their employees employed. We can't afford to price our local products out of the marketplace or where only the wealthy are able to afford to purchase them and not the average local kamaaina or worst case the company no longer feels it is viable to be in business due to the increased cost to be considered "Made in Hawaii" and closes down.

Mahalo for this opportunity to testify.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

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Statement of
CHRIS J. SADAYASU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Tuesday, January 31, 2023
9:05 AM
State Capitol, Conference Room 229

In consideration of
SB113
RELATING TO THE LABELING OF PRODUCTS.

Chair Keohokalole, Vice Chair Fukunaga and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) supports SB113 which adds language to HRS 486-119(a) to clarify that in calculating whether a product labeled "Made in Hawaii" has met the requirement that at least fifty-one per cent of the wholesale value of the product is added by manufacture, processing, or production within the State, operating and overhead expenses incurred and spent within the State shall be included. HRS 486-119 pertains to Hawaii made products and Hawaii processed products and is administered by the Department of Agriculture. Specifically, the bill makes changes to subsection (a) that pertains to craft items (non-perishable items), but not to subsection (b) that pertains to perishable consumer commodities (perishable items).

A new section, HRS 201-3.5 outlining the "Hawaii Made" program for manufactured products was created and added by Act 2 of the 2021 Special Session. HRS 201-3.5(c) has almost identical language to HRS 486-119 regarding the calculation to determine whether a product qualifies for "Hawaii Made" labeling. HRS 201-3.5 is administered by the Department of Business, Economic Development and Tourism.

The bill as currently drafted only makes changes to HRS 486-119(a). Therefore, the change in the calculation would only apply to the DOA program for non-perishable goods. The bill does not amend HRS 201-3.5(c) and the calculation for the DBEDT program would remain the same.

To avoid any confusion and inconsistency, both HRS 486-119(a) and HRS 201-3.5(c) should be amended because both sections outline what is required to qualify for the “Made in Hawaii” or “Hawaii Made” labeling. Furthermore, HRS 201-3.5(c) does not distinguish between non-perishable items and perishable items, so the distinction should also be clarified in the amendment.

Based on the foregoing, a new section should be added to the bill:

SECTION __. Section 201-3.5, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

- (c) No person shall:
 - (1) Keep, offer, display or expose for sale, or solicit for the sale of any item, product, souvenir, or other merchandise that:
 - (A) Is labeled “Hawaii Made”; or
 - (B) By any other means, represents the origin of the item as being from any place within the State; or
 - (2) Use the phrase “Hawaii Made” as an advertising or media tool, for any item that has not been manufactured, assembled, fabricated, or produced within the State and that has not had at least fifty-one per cent of its wholesale value added by manufacture, assembly, fabrication, or production within the State, including Hawaii-sourced goods, services, and intellectual property. For the purposes of this subsection, production shall include operating and overhead expenses incurred and spent within the State for non-perishable goods.

Thank you for the opportunity to testify.