

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Suite 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE COMMITTEE ON WAYS AND MEANS
Thursday, March 30, 2023
10:05 a.m.
VIA VIDEO CONFERENCING
Conference Room 211

HOUSE BILL NO. 1426 H.D. 1
RELATING TO VALUE-ADDED PRODUCTS

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committees:

Thank you for the opportunity to testify on House Bill No. 1426 H.D. 1. The Agribusiness Development Corporation (ADC) supports this measure, which establishes a food and product innovation network within the Agribusiness Development Corporation and appropriates moneys for food and product innovation facilities on the islands of Molokai and Oahu.

The ADC appreciates any support from the Legislature to help it make optimal use of agricultural assets for the economic, environmental, and social benefit of the people of Hawaii. The ADC concurs that agencies involved in the creation and development of value-added products should establish a network to share expertise. The sharing of information and ideas is invaluable and will help foster entrepreneurs and spur economic development statewide.

Thank you for your consideration of our testimony.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE
KA 'OIHANA MAHI'AI
1428 South King Street
Honolulu, Hawai'i 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

**THURSDAY, MARCH 30, 2023
10:05 A.M.**

CONFERENCE ROOM 211 AND VIDEO CONFERENCING

**HOUSE BILL NO. 1426 HD1
RELATING TO VALUE-ADDED PRODUCTS**

Chair Dela Cruz and Members of the Committee:

Thank you for the opportunity to present testimony on House Bill 1426 HD1. This bill establishes a food and product innovation network within the Agribusiness Development Corporation (ADC) and appropriates moneys for food and product innovation facilities on the islands of Molokai, Oahu, and Hawaii.

The Department of Agriculture supports this measure and provides the following comments. With the COVID-19 pandemic behind us, this new initiative will provide the catalyst for launching innovations in food products, processing technology, packaging processes, creative food supply chain logistics, and novel marketing channels for both local and export markets. Innovation further drives economic efficiencies and raises a competitive advantage. Global competition requires incorporating the latest innovations available for Hawaii producers.

The food and product innovation network can add value to Hawaii's agricultural products through the following processes:



Juice	Concentrate	Leather (roll-ups)	Extract
Gummies	Puree	Tincture	Flavoring
Dye	Seasoning	Flour	Tea
Cosmetic	Cream/salve	Nutraceutical	Spice
Pellet / Granular	Syrup	Additive	Ingredient
Dried	Powder	Dehydrated	Roasted
Jerky	Jam	Jelly	Capsule
Freeze-dried	Fermented	Pickled	Flaked

Thank you for the opportunity to testify on this measure.



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Executive Officers

Eddie Asato, Pint Size Hawaii, *Chair*
Gary Okimoto, Safeway, *Vice Chair*
Maile Miyashiro, C&S Wholesale, *Secretary/Treas.*
Lauren Zirbel, HFIA, *President and Executive Director*
John Schilf, Rainbow Sales and Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, Odom, *Advisor*
Charlie Gustafson, Tamura Super Market, *Immediate Past Chair*

TO: Committee on Ways and Means
Senator Donovan M. Dela Cruz
Senator Gilbert S.C. Keith-Agaran, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: March 30, 2023
TIME: 10:05am
PLACE: Via Videoconference

RE: HB1426 HD1 Relating to Value-Added Products

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.

HFIA is in support of this measure. Increasing local food production and manufacturing helps build a more diverse economic foundation for our state. Increasing local food production also makes our food systems more resilient and sustainable.

HFIA has proudly produced the Made in Hawaii Festival for over 25 years and we know first hand the value and importance of locally made products. We also know that there is huge potential for growth in our local manufacturing sector. Establishing a food and product innovation network is an important step that state can take to help this sector grow and thrive for the benefit of Hawaii makers, Hawaii consumers, and Hawaii's economy.

We encourage you to pass this measure and we thank you for the opportunity to testify.



HAWAII FOREST INDUSTRY ASSOCIATION (HFIA)

P. O. Box 66 ❖ 'O'ōkala, HI
96774 Phone: 808-933-9411
Email: hfia@hawaiiiforest.org
Website: www.hawaiiiforest.org

Date: 03/28/2023

TO: WAM Chair Inouye, Vice Chair Elefante and WAM Committee Members

FROM: the Hawai'i Forest Industry Association (HFIA)

SUBJECT: In Support of HB1426 HD1 Relating to Value Added Products

Dear Chair Inouye and Committee Members,

On behalf of the Directors and members of the Hawai'i Forest Industry Association (HFIA), please support HB1426 HD1 Relating to Value-Added Products..

Since 1989 HFIA has worked towards actualizing healthy and productive forests across the state of Hawaii and recognized Hawaii's opportunity for economic growth and diversification. We've taken much pride in encouraging our members to create products utilizing locally sourced materials. We've done this via our Hawaii's Wood Brand program which represents fine items made from wood grown in the Hawaiian Islands. The program requires participants to meet certain criteria ensuring their products are Hawaii Made and of good quality. Roughly 40% of HFIA's members are woodworkers, the vast majority of whom utilize woods sourced locally. Many HFIA woodworkers sell their finished products both locally and out of state. These sales of high quality, Hawaii Made products, to out of state buyers are a small-scale example of what HB1426 could yield on a broader scale across various food and product categories.

It is also important to note that Hawaii is home to millions of acres of land zoned as Conservation Reserve. These lands hold forest resources that could be utilized for innovation and to create value-added, Hawaii Made products. Extracted resources could be replenished for future harvest and use. These lands also hold wild game that could be processed to feed local families or exported as a Hawaii Sourced product with the support of a Food and Product Innovation Network.

Ultimately, a successful Food and Product Innovation Network could yield various benefits including economic diversification and growth, job creation, business innovation and networking and resource sharing amongst entrepreneurs in the State of Hawaii. For these reasons we hope that you will support HB1426 HD1.

Mahalo for your time and consideration,

Guy Cellier

Guy Cellier, Acting President

Hawaii Forest Industry Association

Established in 1989, HFIA's is a nonprofit organization founded by people committed to sustainable forest management. HFIA's mission is to promote healthy and productive forests and a sustainable forest industry through management, education, planning, information exchange, and advocacy. HFIA has over 130 members including woodworkers, landowners, sawyers, foundations, foresters, growers, educators, environmentalists, architects, millers, ranchers, and others interested in HFIA's mission and goals.

HFIA Board of Directors

Officers: Acting President/Vice-President Guy Cellier, Secretary Peter D. Simmons, Treasurer Wade Lee
Directors: Thomas Calhoun, Jeremy Campbell, Aaron Hammer, Nickolas Koch, Tai Lake, Michael Sowards, Irene Sprecher, Michael Tam, Jorma Winkler, Ron Wolfe, Aileen Yeh



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Thursday, March 30, 2023 — 10:05 a.m.

Ulupono Initiative supports HB 1426 HD1, Relating to Value-Added Products.

Dear Chair Dela Cruz 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 the 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 choices, and better management of freshwater resources.

Ulupono supports HB 1426 HD1, which establishes a food and product innovation network within the Agribusiness Development Corporation and appropriates moneys for food and product innovation facilities on the islands of Molokai, O'ahu, and Hawai'i.

According to the USDA, U.S. farm establishments received 14.5 cents per dollar spent on domestically produced food in 2021. This was the lowest recorded farm share value in nearly three decades.¹ In Hawai'i, leaf lettuce growers receive \$2–\$4 per pound for raw product. Some of these leaf lettuce growers add value to their product by washing, cutting, packaging and mixing multiple leaf lettuce varieties into retail ready clamshell boxes. By doing this minimal value-added processing, these leaf lettuce growers can increase their price to \$9–\$12 per pound.

Another way farmers can increase their profitability is to create value-added products with their off-grade produce. Off-grade produce can be perfectly edible, but might not be “good looking” enough for grocery shoppers. Depending on the type of produce, the percentage of a harvest that might be classified as off-grade can range from 10% to 40%.² Farmers have trouble selling off-grade produce, so it is often wasted. By figuring out innovative ways to add value to off-grade produce, farmers will be able to utilize more of their harvest and generate profit from produce that would otherwise go unused.

As Hawai'i's local food issues become increasingly complex and challenging, local producers and local food entrepreneurs will need additional resources and support to address and

¹ <https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=105281#:~:text=U.S.%20farm%20establishments%20received%2014.5.value%20in%20nearly%20three%20decades.>

² https://www.salon.com/2019/09/08/study-finds-farm-level-food-waste-is-much-worse-than-we-thought_partner/ and <https://www.sciencedirect.com/science/article/pii/S0921344919301296>



overcome them. We appreciate this committee's efforts to look at policies that support local food production and the success of our farmers and ranchers.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs



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Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

March 30, 2023

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON HB 1426, HD1
RELATING TO VALUE-ADDED PRODUCTS

Conference Room 211 & Videoconference
10:05 AM

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports HB 1426, HD1, which establishes a food and product innovation network within the Agribusiness Development Corporation and appropriates moneys for food and product innovation facilities on the islands of Molokai, Oahu, and Hawai'i.

As expenses rise, increases in farm revenues and profits are critical to the continued viability of farms and ranches. One way farmers can do this is by "adding value" to raw agricultural crops. Currently, off-grade and excess production is sometimes wasted due to market conditions. Converting them into value-added products will not only increase farm revenue but also provide new business opportunities, increase employment opportunities, and address Hawai'i's goals of increased self-sufficiency and sustainability.

High production costs are a major driver of narrow profit margins for Hawai'i's farmers and value-added food producers. Labor, taxes, land, transportation, utilities, and supplies are all costs of doing business that often results in value-added food producers just being able to break even.

If a Hawai'i farmer or entrepreneur wants to process an off-grade product into a value-added product they are usually forced to send it to the mainland because Hawai'i lacks value-added processing facilities. This cost of transportation to and from the mainland is often enough to discourage farmers from pursuing value-added production.

Hawai'i is potentially losing millions of dollars because of the cost to process agricultural crops into value-added products. A network of food and value-added facilities in Hawai'i will support the production of new value-added products so that farmers can increase

their income while allowing locally produced value-added goods can compete with imported products, and expand into new export markets, strengthening our local economy.

The strength of Hawai'i's economy is dependent upon a diversity in commerce that is resilient to economic downturns and aggressive in creating new growth opportunities.

Thank you for the opportunity to testify on this measure.



THE FOOD BASKET

HAWAI'I ISLAND'S FOOD BANK

LATE

March 29, 2023

EXECUTIVE DIRECTOR

To: The Honorable Donovan Dela Cruz, Chairman
The Honorable Gilbert S. C. Keith Agaran, Vice Chairman
Committee on Ways and Means

KRISTIN FROST ALBRECHT

BOARD OF DIRECTORS

From: Kristin Frost Albrecht
Executive Director, The Food Basket, Hawai'i Island's Food Bank

ANN EBESUNO
BOARD CHAIR

Subject: **Testimony in Strong Support of HB1426 HD1, Relating to Value-Added Products**

MARK KRZYZANOWSKI
VICE-CHAIR

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran,

DENNIS LIN
TREASURER

My name is Kristin Frost Albrecht, and I am the Executive Director of The Food Basket Inc., Hawai'i Island's Food Bank (TFB). Our mission is to "End hunger in Hawai'i County". We strongly support this bill that will establish the food and product innovation facility on Hawai'i Island that has been in development with the County of Hawai'i Coalition, funded through the Phase 1 of the Economic Development Administration Building Back Better grant awarded in December 2021. The facility will be a state-of-the-art Agriculture Innovation Center and is in process of being developed on 24.4 acres on Ponahawai St. in Hilo as part of the project known as the Agriculture Innovation Park and Food System Campus (AIPFSC).

JULIA ZEE
SECRETARY

STEPHEN UEDA

WARREN LEE

SAMANTHA COLLINS

To meet the growing hunger and economic challenges in Hawai'i, TFB is developing the AIPFSC to provide safe, nutritious, fair, and affordable food that increases economic prosperity within the region. The campus will significantly increase commercial food production for import substitution and regional economic growth by supplying aggregation, value-added, and distribution capacity to provide food producers with the supply chain integration needed to increase income and job creation in the agricultural cluster. The project is focused on sustaining viable agriculture and ecosystems to meet the challenges resulting from the pandemic, recent natural disasters, and ongoing climate

MAURICE MESSINA

WWW.HAWAIIFOODBASKET.ORG

Administration and East Hawai'i Warehouse
40 Holomua Street, Hilo, HI 96720
808-933-6030 Phone | 808-934-0701 Fax

West Hawai'i Warehouse
73-4161 Ulu Wini Place, Kailua-Kona, HI 96740
808-322-1418 Phone | 808-322-7373 Fax

change impacts. Using an inclusive community-led planning and design process, TFB is currently in the planning phase for development of the Agriculture Innovation Center. The state-of-the-art facility will support agricultural production and processing, increasing the economic opportunity of local producers and food-related businesses, as well as highly paid skilled jobs within the Hawai`i Island region. The facility is a central component in the County of Hawai`i Coalition's commitment to building a transformative and resilient agricultural and food landscape for future generations in the Hawai`i region.

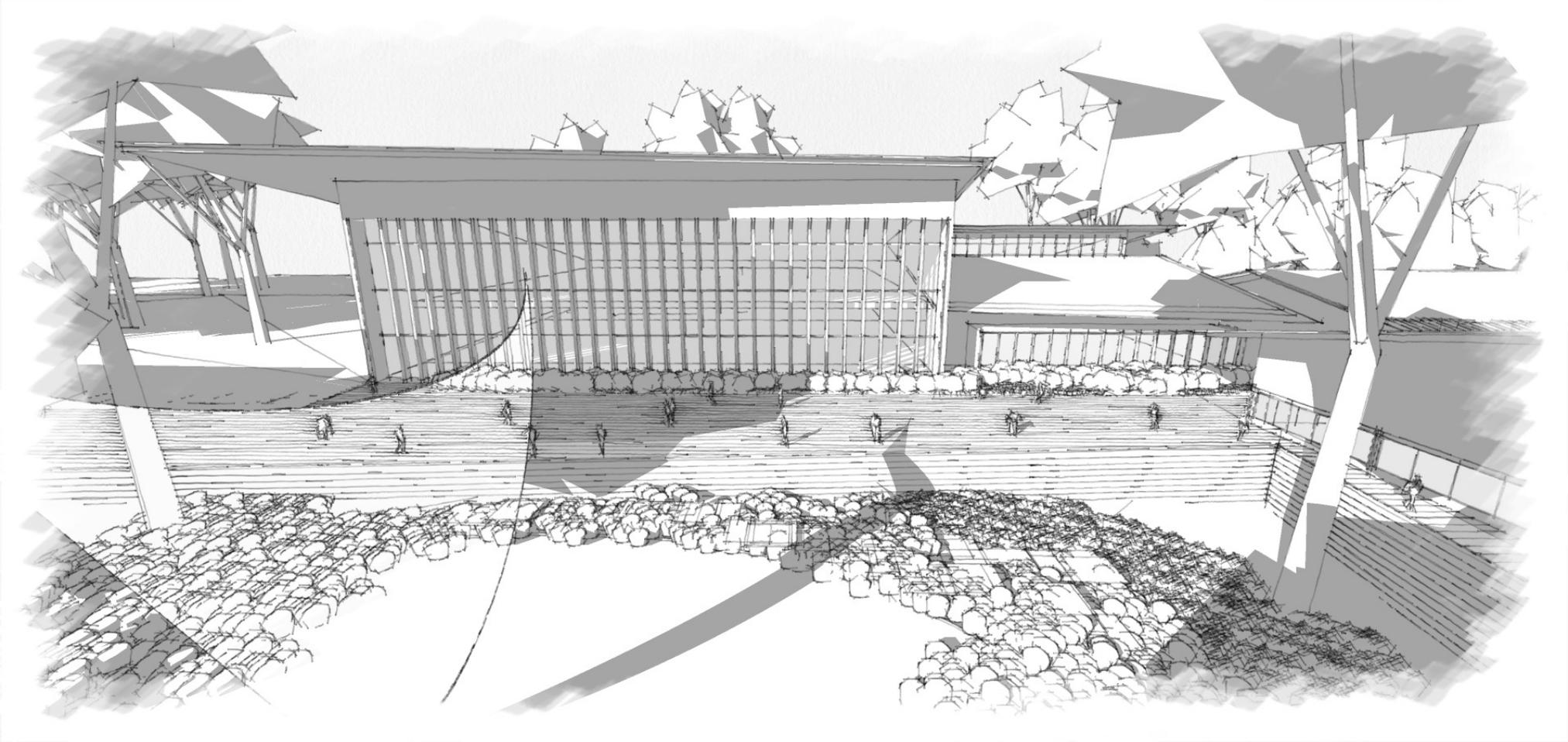
This innovative, value-added production-focused facility will provide spaces and mechanisms to bring island products to market with equipment for food manufacturing, processing, and co- packing. The center is based on system needs identified in the Hawai`i Island Agriculture and Food System Study led by the Hawai`i Island Agricultural Partnership (HIAP) and Hawai`i Island Food Alliance (HIFA). The study identified the need for processing, co-packing, and co- manufacturing capacity for food operations and agricultural operations on the island.

The center will include: a) Culinary/Value Added Agricultural Production Space for farmers/small producers and community members; b) Commercial Kitchen Space for volume food preparation for food access needs; c) Training Kitchen Space for workforce training (including the master food preservers program); d) Food Science Lab Space for state of the art product development; e) Food Manufacturing Processing Lines to allow small product manufacturers and/or farmers to scale (high pressure pasteurization), dehydration, individual quick freezing, bottling, canning, packaging); f) Co-manufacturing and co-packing offerings; g) Individual agriculture and/or food production spaces.

We respectfully ask your committee to pass this bill to establish the Agriculture Innovation Center to develop the food and product innovation network of open-access food and value-added product development facilities that will enable businesses to scale up new products from research and development to manufacturing and commercialization on Hawai`i Island.

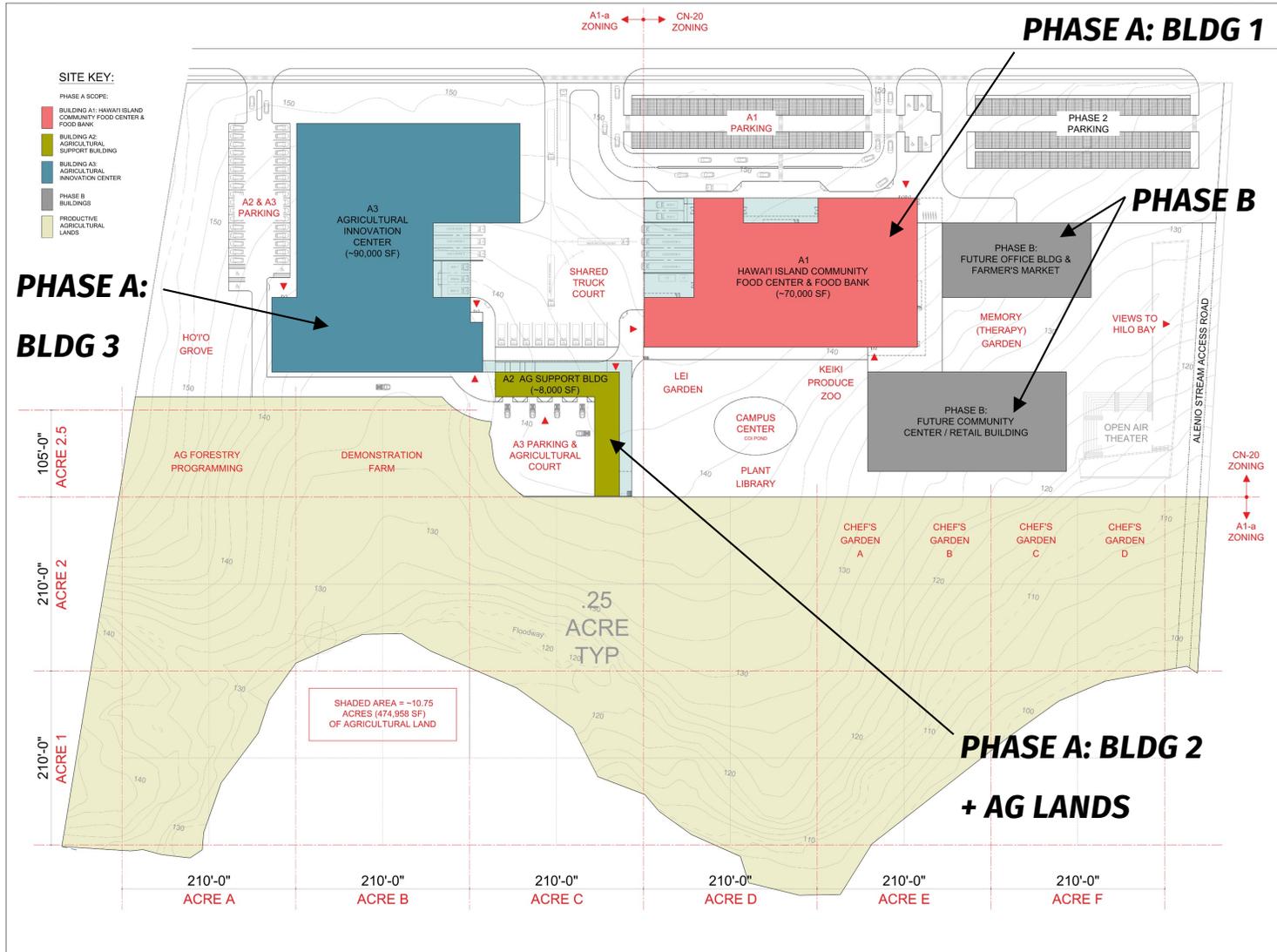
Mahalo, for the opportunity to testify.

Kristin Frost Albrecht
Executive Director



HAWAI'I ISLAND AGRICULTURAL INNOVATION PARK & FOOD SYSTEMS CAMPUS





CREATED FOR:

CREATED BY:

PRELIMINARY FEASIBILITY STUDY ONLY:
This is not an architectural or build document. All information contained herein must be reviewed and finalized by a state-licensed firm prior to official use.

ISSUE	ISSUED FOR	DATE
1	CLIENT REVIEW	3/7/23

PROJECT:

HAWAII ISLAND AGRICULTURAL INNOVATION PARK & FOOD SYSTEMS CAMPUS

LOCATION:

PONAHAWAI ROAD HILO, HAWAII

PHASE:

PHASES A & B

BUILDING:

FULL CAMPUS

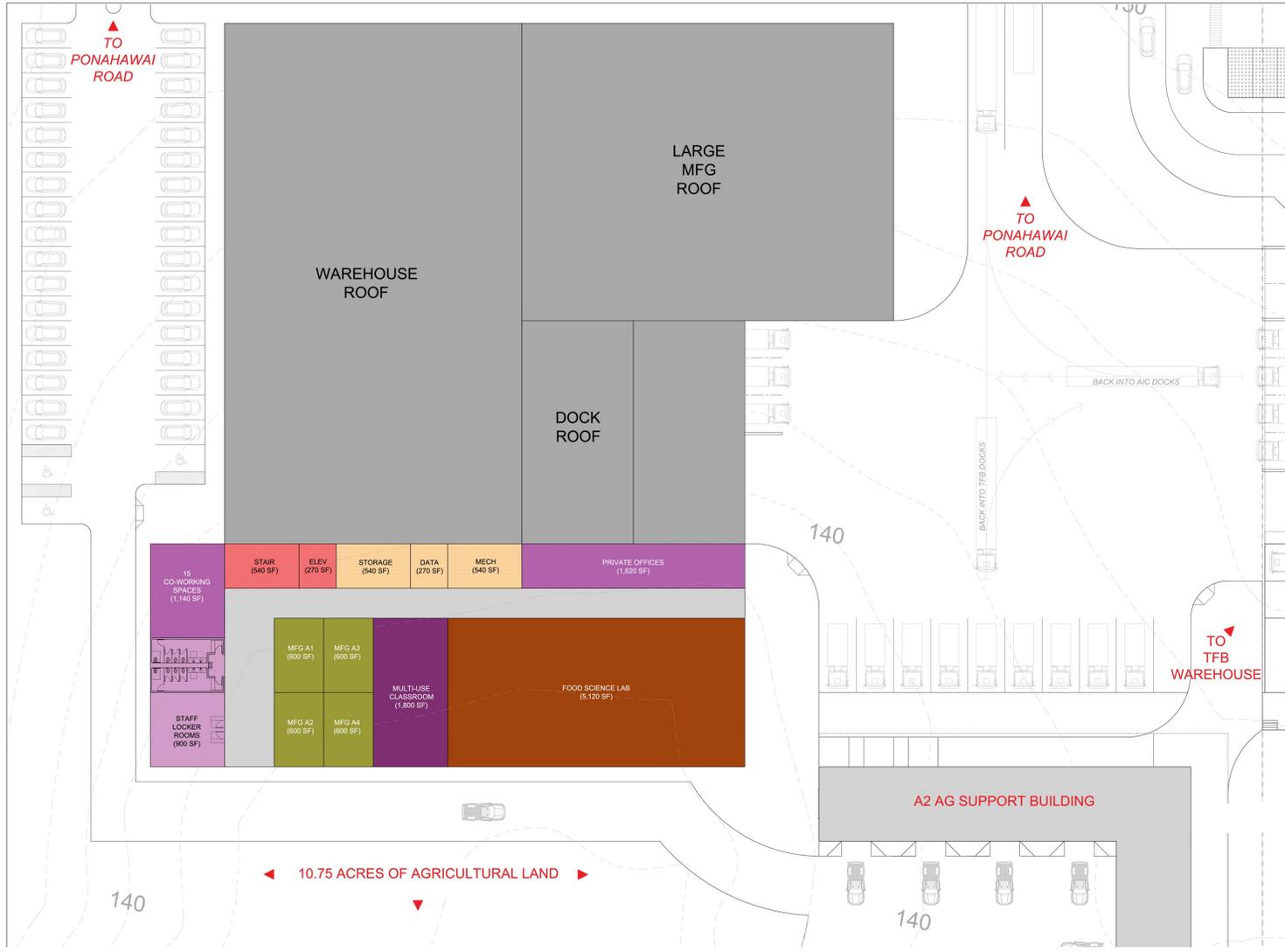
PROGRAM HIGHLIGHTS:

- 8 ACRES NEIGHBORHOOD COMMERCIAL ZONING (CN-20)
- 16 ACRES AGRICULTURAL ZONING (A1-a)

SCALE:

1:500

AIPFSC CAMPUS DIAGRAM



PRELIMINARY FEASIBILITY STUDY ONLY:
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ISSUE:	ISSUED FOR:	DATE:
1	CLIENT REVIEW	3/7/23

PROJECT:
HAWAII ISLAND AGRICULTURAL INNOVATION PARK & FOOD SYSTEMS CAMPUS

LOCATION:
PONAHAWAI ROAD HILO, HAWAII

PHASE:
PHASE A

BUILDING: 3
AGRICULTURAL INNOVATION CENTER

LEGEND:
 -WORKING STATIONS
 -STAFF WELFARE SPACES

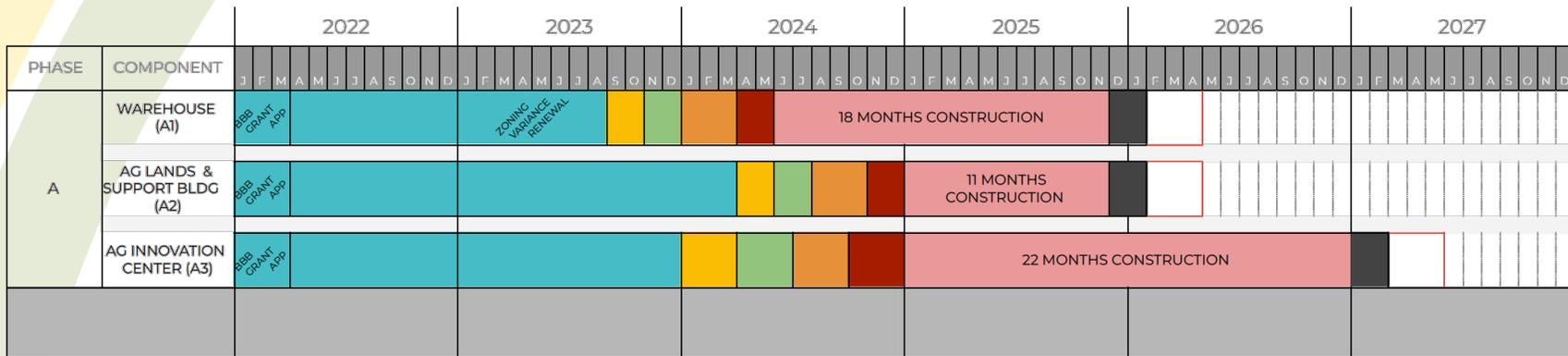
SCALE:
 1:400

A3 AIC 2ND FLOOR CONCEPT DIAGRAM

AIPFSC Development Timeline

PHASED DEVELOPMENT TIMELINE (PHASE A)

The Food Basket - Preliminary Construction Timeline for AICFSC Campus : Phase A



KEY DATES:

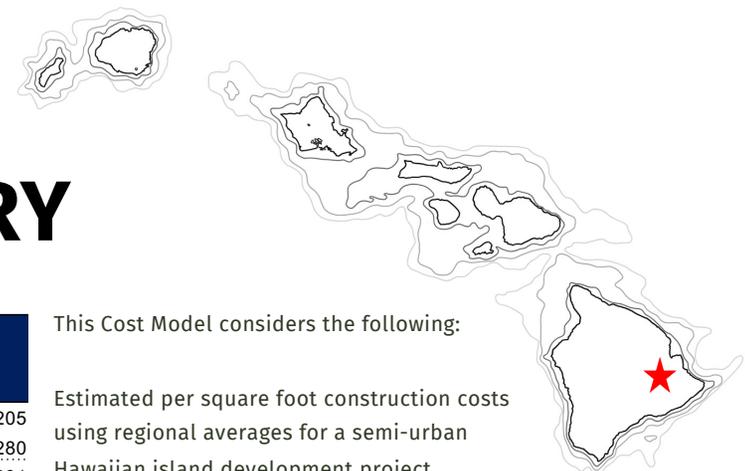
- 8/31/2023: CN-20 LAND REZONING WORK COMPLETE
- 9/1/2023: LOCAL A/E TEAM BEGINS DESIGN & PERMITTING A1
- 1/1/2024: LOCAL A/E TEAM BEGINS DESIGN & PERMITTING A3
- 4/1/2024: LOCAL A/E TEAM BEGINS DESIGN & PERMITTING A2
- 6/1/2024: CONSTRUCTION OF A1 BEGINS
- 1/1/2025: CONSTRUCTION OF A2 BEGINS
- 1/1/2025: CONSTRUCTION OF A3 BEGINS

COLOR KEY:

- PREDESIGN & FEASIBILITY ANALYSIS
- SCHEMATIC DESIGN (BEGIN A/E SERVICES)
- DESIGN DEVELOPMENT
- CONSTRUCTION DOCUMENTS / PERMIT REVIEW/ BIDDING
- PERMIT CORRECTIONS & FINAL CDs
- CONSTRUCTION
- PUNCH LIST / MOVE-IN
- PERMITTING CONTINGENCY

**The development timeline will be updated and adapted in subsequent work phases once funding and implementation timelines are better known.*

AIPFSC DEVELOPMENT SUMMARY



Total Uses		(A1) Hawai'i Island Community Food Center & Food Bank	(A2) Agricultural Lands Support Structure	(A3) Agricultural Innovation Center	Total
Building Costs	Square Feet	93,647	9,978	90,580	194,205
	(x) Cost per Square Feet	\$261	\$304	\$297	\$280
	Construction Costs	\$24,469,668	\$3,032,472	\$26,925,751	\$54,427,891
	(+) Allocated Land Purchase Cost	\$577,277	\$61,508	\$558,371	\$1,197,157
	(+) Equipment Costs	\$1,400,000	\$425,000	\$8,350,000	\$10,175,000
	(+) Debt Financing Fee	\$150,893	\$16,078	\$145,952	\$312,922
Total Construction, Land, & Equip. Costs		\$26,597,839	\$3,535,058	\$35,980,074	\$66,112,970
% of Total		34%	5%	46%	85%
Soft Costs	(+) Design Development	\$1,940,225	\$259,310	\$2,645,681	\$4,845,217
	(+) Advisory Services	\$258,697	\$34,575	\$352,758	\$661,130
	(+) Working Capital	\$2,586,967	\$345,747	\$3,527,575	\$6,611,297
	Total Soft Construction Costs	\$4,785,889	\$639,632	\$6,526,014	\$12,117,644
% of Total		6%	1%	8%	15%
Total Construction & Development Costs		\$31,383,727	\$4,174,690	\$42,506,088	\$78,230,614

Source	% of Funding	Amount	Financing Fee	Cost (%)
Debt	20%	\$15,646,123	2.0%	7.0%
Equity	20%	\$15,646,123	n.a.	12.0%
Grants/Funds	60%	\$46,938,368	n.a.	0.0%
Total Sources	100%	\$78,230,614		

The total approximate development budget for Phase A of the AIPFSC is \$78.2M.

This Cost Model considers the following:

Estimated per square foot construction costs using regional averages for a semi-urban Hawaiian island development project.

Equipment needs were informed by analysis & charrette findings which highlighted vital equipment pieces; pricing based on comparable quotes pulled from national retailers.

Land costs confirmed as \$1.6M; 75% is allocated to Phase A.

Soft construction costs:

7.5% design/engineering development,

1.0% advisory/consultants

10.0% working capital reserve (%s of total construction and PP&E costs).

Funding is assumed to come from a 20% / 20% / 60% mix of debt, equity, and grants.