

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

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TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE COMMITTEE ON WAYS AND MEANS

Wednesday, February 22, 2023

9:30 a.m.

Conference Room 211
& Videoconference

SENATE BILL NO. 1547
RELATING TO VALUE-ADDED PRODUCTS

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

Thank you for the opportunity to testify on Senate Bill No. 1547 relating to value-added products. 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.

We support this bill provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget. Thank you for your consideration of our testimony.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



State of Hawai'i
DEPARTMENT OF AGRICULTURE
KA 'OIHANA MAHI'AI
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Honolulu, Hawai'i 96814-2512
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SHARON HURD
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson



TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

WEDNESDAY, FEBRUARY 22, 2023
9:30 A.M.

CONFERENCE ROOM 211 AND VIDEO CONFERENCING

SENATE BILL NO. 1547
RELATING TO VALUE-ADDED PRODUCTS

Chair Dela Cruz and Members of the Committees:

Thank you for the opportunity to present testimony on Senate Bill 1547. This bill establishes a food and product innovation network within the Agribusiness Development Corporation (ADC) and appropriate moneys for food and product innovation facilities on the islands of Molokai and Oahu.

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.

Thank you for the opportunity to testify on this measure.





UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

LATE

Testimony Presented Before the
Senate Committee Ways and Means
Wednesday, February 22, 2023 at 9:30 a.m.

By

Della Teraoka

Interim Associate Vice President for Academic Affairs, Community Colleges
University of Hawai'i

SB 1547 – RELATING TO VALUE-ADDED PRODUCTS

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

The University of Hawai'i Community Colleges are in support of SB 1547, which establishes under the Agribusiness Development Corporation a “food and product innovation network” providing access to facilities, resources, expertise and education to capitalize on the “Made in Hawai'i” brand and supporting the strengthening and diversification of the local agriculture economy.

Synergies between network members can expand access statewide, and leverage resources while avoiding unnecessary duplication in support of innovation and business development.

A concern is on the reporting responsibilities, whether “progress Hawai'i has made in growing the State's agriculture industry, food industry, and related industries, and in meeting the State's food security goals” appear to go beyond the scope of the Networks reporting capacity.

Additionally, further clarification on “open-access food” would support better alignment of Network members and their responsibilities within the network.

The University of Hawai'i supports the intent of SB 1547, as long as its passage does not replace or adversely impact priorities as indicated in our BOR Approved Budget.

Thank you for the opportunity to provide testimony in support of SB 1547.



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February 22, 2023

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON SB 1547
RELATING TO VALUE-ADDED PRODUCTS

Conference Room 211 & Videoconference
9:30 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 SB 1547, 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.

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.



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Executive Officers

Eddie Asato, Pint Size Hawaii, *Chair*
Gary Okimoto, Safeway, *Vice Chair*
Maile Miyashiro, C&S Wholesale, *Secretary/Treas.*
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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

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Wednesday, February 22, 2023
TIME: 9:30am
PLACE: Via Videoconference

RE: SB1547 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.



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Wednesday, February 22, 2023 — 9:30 a.m.

Ulupono Initiative supports SB 1547, 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 SB 1547, 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 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

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>

LATE

SB-1547

Submitted on: 2/21/2023 7:54:17 PM

Testimony for WAM on 2/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
celia tapp	Individual	Support	Written Testimony Only

Comments:

I support sb1547 efforts to promote agribusiness development!

LATE

SB-1547

Submitted on: 2/21/2023 7:56:58 PM

Testimony for WAM on 2/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Cards Pintor	Individual	Support	Written Testimony Only

Comments:

Aloha,

I support this bill.

Mahalo nui,

Cards Pintor