

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

DEPT. COMM. NO. 999
DEXTER KISHIDA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE
KA 'OIHANA MAHI'AI
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December 29, 2023

The Honorable Ronald D. Kouchi,
President and Members of the Senate
Thirty-second State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki,
Speaker, and Members of the House of
Representatives
Thirty-second State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Report on the Economic Study on Changes in Coffee Labeling Law as required by Act 222, SLH 2022. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at <https://hdoa.hawaii.gov/meetings-reports/legislative-reports/>.

Sincerely,

A handwritten signature in cursive script that reads "Sharon Hurd".

Sharon Hurd
Chairperson, Board of Agriculture

Enclosure



**REPORT TO THE THIRTY-SECOND LEGISLATURE
2024 REGULAR SESSION
STATE OF HAWAII**

**IN RESPONSE TO ACT 222, SESSION LAWS OF HAWAII 2022
REQUIRING THE DEPARTMENT OF AGRICULTURE TO SUBMIT A REPORT ON
THE ECONOMIC STUDY ON CHANGES IN COFFEE LABELING LAW**



Prepared by:

**THE STATE OF HAWAII
DEPARTMENT OF AGRICULTURE**

DECEMBER 2023

Background

Act 222, Session Laws of Hawaii 2022 was enacted to support Hawaii's coffee growers by appropriating funds to Hawaii Department of Agriculture (HDOA) to conduct an independent study to assess the economic impact of Hawaii's coffee labeling laws on local coffee farmers and the local coffee industry. HDOA was mandated to complete the study no later than January 1, 2024, and submit a report of its findings and recommendations, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2024. Since HDOA does not have the expertise, an RFP procurement process was used to select an economist/consultant to carry out this independent study. Guild Consulting was selected as the contractor and a contract in the amount of \$89,694.00 was fully executed on June 23, 2023 with scope of work and deliverables listed in the next section.

Scope of Work and Deliverables

- Conduct and prepare an economic impact study on the local coffee industry and stakeholders concentrating on the Big Island of Hawaii's Kona and Kau geographic regions including a focus group assessment to address the impact on consumers.
- Consult with coffee farmers, including the Hawaii Coffee Association, Kona Coffee Farmer's Association and other stakeholders in the coffee industry such as roasters and distributors for purposes of conducting the study.
- Analyze impacts from the perspective of Hawaii coffee industry stakeholders located within the physical boundaries of the State.
- Include relevant literature review on the economic effects of labeling requirements.
- Based on available data:
 - Make projections of sales demand and changes in pricing based on proposed changes in the labeling requirements from 10% local geographic blends currently to 20%, 30% and 51% within a 3 year phase in period.
 - Use current data of 100% regional coffee production and projections of costs and volume after changing the current blends to 51% from 10% and how the 10% to 51% changes affect the impact on 100% geographic product.
 - Examine current market share between Kona and Kau coffees initially and how that share may change over the phase in period with possible policy recommendations (e.g. 3 years) to mitigate any shocks to the industry because of increases to minimum blend requirements.
 - Estimate changes in production showing projections of producer surplus, inventories or depletion, shortages and losses of product due to the changes in

demand based on pricing, and other economic and environmental factors from each scenario listed in RFP-05203-QAD.

- Show and quantify with graphics and numerical statistics (where available) supply and demand curve changes for each scenario listed in RFP-05203-QAD.
 - Show the potential changes of equity and fairness within the industry with social and economic changes resulting in access for product and consumption access.
 - Map current sales and future sales volume and income of each coffee chain product such as cherry, parchment, green and roasted coffee.
 - Evaluate possible overall industry income expansion or contraction with each blend ratio change.
 - Estimate increases or decreases in total State tax revenues from all sources.
 - Examine employment fluctuation expectations at each level in the coffee industry.
 - Should pertinent data be unavailable after exhausting all sources, upon agreement with the State, Contractor shall provide theoretical projections and estimates, based on sound-economic reasoning and cited sources.
- Analyze, based on available data, and theorize changes in market efficiencies including redistribution and changes within the industry stakeholders, including changes across the supply chain, of who potentially benefits are and who potentially loses market share and income among growers, blenders, distributors and retailers.
 - Complete the study no later than December 29, 2023 and have materials ready to present with recommendations and findings, including any proposed legislation.

Final Results and Recommendations

A final report of findings and recommendations including any proposed legislation will be available and provided to Legislature after the completion of the study on December 29, 2023.