



**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
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
and
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

Tuesday, February 13, 2024
1:00 PM
State Capitol, Conference Room 229

In consideration of
SB 2500
RELATING TO VALUE-ADDED PRODUCTS.

Chairs DeCoite and Gabbard, Vice Chairs Wakai and Richards, and members of the Committees.

The Department of Business, Economic Development and Tourism (DBEDT) **strongly supports** SB2500, which establishes a Food and Product Innovation Network in our state. DBEDT firmly believes that such an initiative is not only critical but imperative to meet our agricultural and economic diversification goals. By establishing this network, we will unlock boundless opportunities for businesses in our state to thrive on a global scale under the esteemed banner of "Made in Hawai'i," "Produced in Hawai'i," or "Processed in Hawai'i."

At the heart of this endeavor lies the recognition of the indispensable role that value-add manufacturing plays in bolstering both our agricultural sector and the broader economy. This concept intertwines with the proposed Food Innovation Network and The FoodBowl, drawing inspiration from the exemplary model set forth by New Zealand in the following ways:

1. **Enhancing Agricultural Value Chains:** Value-add manufacturing encompasses processes that transform raw agricultural produce into higher-value products. By incorporating innovation and technology into these processes, we not only add value to our agricultural output but also create a diversified range of products that cater to diverse consumer demands. The Food and Product Innovation Network,

with its focus on value-added product development, aligns perfectly with this ethos, providing businesses with the resources needed to capitalize on our agricultural bounty and elevate it to global standards of excellence.

2. **Fostering Economic Resilience and Growth:** A robust value-add manufacturing sector not only stimulates economic growth but also enhances resilience by reducing reliance on commodity markets. By investing in value-add capabilities, we insulate our economy from the volatilities of global markets and create a foundation for sustained prosperity. The FoodBowl, as a beacon of best practices, exemplifies how strategic investment in value-add manufacturing infrastructure can catalyze economic development, creating jobs, fostering innovation, and attracting investment.
3. **Promoting Brand Value and Market Access:** The establishment of a Food and Product Innovation Network empowers businesses to leverage our unique regional identity and capitalize on the burgeoning demand for authentic, high-quality products. By nurturing a culture of innovation and excellence, we not only enhance the reputation of our "Made in Hawai'i" brand but also gain access to premium markets worldwide. The FoodBowl serves as a testament to the transformative power of such initiatives, enabling businesses to scale up production, meet stringent quality standards, and establish themselves as global leaders in their respective fields.

In conclusion, the establishment of a statewide network of open-access food and value-added product development facilities is not merely an aspiration but a necessity in our quest for agricultural and economic prosperity. By providing businesses with the tools, resources, and expertise needed to thrive in today's dynamic marketplace, we lay the foundation for a future where Hawai'i stands at the forefront of innovation, sustainability, and economic resilience.

DBEDT urges you to support this critical initiative and pave the way for a brighter, more prosperous future for our farmers and ranchers, small businesses, and our state. Mahalo for the opportunity to strongly support this measure.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



WENDY L. GADY
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

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TESTIMONY OF WENDY L. GADY
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT,
AND TOURISM & AGRICULTURE AND ENVIRONMENT

Tuesday, February 13, 2024
1:00 p.m.
Conference Room 229 & Videoconference

SENATE BILL NO. 2500
RELATING TO VALUE-ADDED PRODUCTS

Chairpersons DeCoite and Gabbard, Vice Chairs Wakai and Richards, and Members of the joint Committees:

Thank you for the opportunity to testify in support of Senate Bill No. 2500, which establishes a food and product innovation network (FPIN) within the Agribusiness Development Corporation and makes an appropriation for food and product innovation facilities on the islands of Molokai, Oahu, and Hawai'i.

The Agribusiness Development Corporation (ADC) strongly supports this measure, which provides funding for a statewide FPIN, which will create rural jobs, provide additional revenue streams to our local farmers and producers, and foster the development of locally made value-added products to expand the "Made in Hawaii" brand.

Research and product development is risky and requires a lot of up-front capital, which discourages a lot of Hawaii's emerging agribusinesses and entrepreneurs from exploring new markets. The establishment of FPINs will de-risk investment for growing businesses and accelerate their efforts in developing new products to promote food resiliency and Hawaii's export marketing. The facilities will be the place where agribusinesses and entrepreneurs can develop a wide variety of locally made value-added products from preparation to packaged product. Because it is a network, information and expertise can be shared and passed on to others to replicate success.

ADC believes these investments will make the agency more dynamic and stimulate economic development, particularly in our rural communities. By making these investments, ADC will be able to attract and support agribusinesses and entrepreneurs and help them reach economies of scale.

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.



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Energy, Economic Development, and Tourism
and
Senate Committee on Agriculture and Environment
Tuesday, February 13, 2024 at 1:00 p.m.
By
Erika Lacro
Vice President for Community Colleges
University of Hawai'i

SB 2500 – RELATING TO VALUE-ADDED PRODUCTS

Chairs DeCoite and Gabbard, Vice Chairs Wakai and Richards, and Members of the Committees:

The University of Hawai'i supports the intent of SB 2500, 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”, “produced in Hawai'i”, or “processed in Hawai'i” brand and supporting the strengthening and diversification of the local agricultural economy.

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

The University of Hawai'i supports the intent of SB 2500, 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 2500.



Email: communications@ulupono.com

SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT & TOURISM
AND AGRICULTURE & ENVIRONMENT
Tuesday, February 13, 2023 — 1:00 p.m.

Ulupono Initiative supports SB 2500, Relating to Value-Added Products.

Dear Chair DeCoite, Chair Gabbard, and Members of the Committees:

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 2500, 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 14.9 cents per dollar spent on domestically produced food in 2022. 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

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>



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 in scaling up to help our state meet its agricultural and economic diversification goals.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs



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February 13, 2024

HEARING BEFORE THE
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON SB 2500
RELATING TO VALUE-ADDED PRODUCTS

Conference Room 229 & Videoconference
1:00 PM

Aloha Chairs DeCoite and Gabbard, Vice-Chairs Wakai and Richards, and Members of the Committees:

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 2500, which establishes a food and product innovation network within the Agribusiness Development Corporation and appropriates funds 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.

SB-2500

Submitted on: 2/9/2024 12:21:12 PM

Testimony for EET on 2/13/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jacqueline S. Ambrose	Individual	Support	Written Testimony Only

Comments:

Aloha, RELATING TO VALUE-ADDED PRODUCTS.

Establishes a food and product innovation network within the Agribusiness Development Corporation. Declares that the general fund expenditure is exceeded. Makes an appropriation for food and product innovation facilities on the islands of Molokai, Oahu, and Hawaii.