

Kauai

Big Island

Maui

Molokai

Oahu



P. O. Box 168

Kealakekua HI 96750

#### SB2905



Appropriates funds for a study by the Legislative Reference Bureau on the effect of regulations of Kona coffee blends.

Conference Room 224, Tuesday February 5, 2008, 2:45 pm

Thank you for allowing us to testify in support of SB2905.

The Hawaii Coffee Association supported the passage of SCR102 last session which called for a study on the effects on farmers, processors, retailers and consumers if certain changes are made to the current Kona blend laws and view SB2905 which calls for an appropriation to fund such a study as a positive measure.

With many agricultural industries in Hawaii in serious trouble (like the closure of Oahu's last dairy processor) it would be a mistake to legislate major changes to a the healthy Kona coffee industry without first undertaking a marketing impact study. The Kona coffee industry finds itself in a unique and positive situation with:

- Acreage planted in Kona coffee increasing 111% since 1992.
- The number of Kona farms has increased 36% since 1997
- Coffee cherry prices paid to farmers increasing at 15.4% annually
- And the farm gate value of the Kona coffee crop has increase 2900% since 1969 which is an average annual increase of 37%.

(The above statistics provided by the National Agricultural Statistics Service)

Given the health of the Kona coffee industry, it would be imprudent to consider significant economic change without first conducting an adequate marketing impact study. Raising the blend requirement significantly increases the price of a bag of Kona coffee blend on the retail shelf and has an even more significant impact on the purchases by Hawaii's restaurants and hotels for the foodservice channel.

Let's take the time to gather the information with which to make an intelligent decision before leaping blindly into emotional legislation.

Thank you for hearing my testimony

David Gridley Hawaii Coffee Association <u>SB2905</u>: Appropriates funds for a study by the legislative reference bureau on the effect of regulations of Kona coffee blends.

Submitted to the Senate Committee on Agricultural and Hawaiian Affairs

Hearing Date February 5, 2008

Submitted by: Charles Moss Aina na Hoku Kai Farm



Dear Chairperson Tokuda and Vice-Chair English and members of the committee:

### • Background

- · Kona coffee farmer, estate grown, estate processed, and estate retailed
- · Retired, third generation Kona Coffee grower
- Eight acres, since 1930's, coffee & livestock, 100% hands on
- Farming because right for the aina, right for quality of life, and pride in a world class product
- Like many Kona Coffee farmers, the income from the coffee is a supplemental

#### Opposed to this bill

- It is wasteful, unneeded, and probably largely counterproductive
- Last year the legislature found as fact in SCR102/SD1/HD1 that "existing labeling requirements for Kona coffee causes consumer fraud and confusion and degrades the 'Kona coffee' name."
- What is needed is passage of a simple fix to the labeling requirements as contained in HB72 and SB661.
- Once that is done, then perhaps some study work would be appropriate, although not necessarily as scoped in SB2905.

- Proposed study is wasteful, unneeded & probably counterproductive
  - Studies "feel good", how can you be opposed?
    - The focus is wrong
      - Flooding the market with around 5 million pounds of deceptively labeled blends is a known issue, vs the less than that of kona that is grown.
      - Free market of properly labeled products (blended or not) should determine the fiscal results, not a study and legislation.
      - Waste is when you use resources to do something that isn't needed.
         Last year the legislature determined that the current labeling practice causes fraud, therefore a study isn't needed before action.
      - The study is potentially counterproductive as it will delay action on the biggest issue
        - Past studies have been inconclusive, other than establishing that the current practices are deceptive to consumers
        - Is it realistic to expect funds appropriated in July of 2008 will result in a definitive study by December when all other studies on coffee labeling/market effects to date have failed?
- Some other thoughts
  - Focus of the study is mixed good & bad
    - Stated purpose is: "a study to evaluate possible impact on farmers, processors, retailers, and consumers if certain changes are made..."
      - Establishing winners & losers will not move the community toward consensus.
        - Those that are exploiting the legalized fraud permitted by the current labeling requirements will be the losers, and they won't like that.
        - It is the job of the legislature to provide laws that provide a level playing field for truthfully labeled products to compete, and the free markets job is to sort out the winners & losers.
    - Study of instituting state certification for Kona coffee grown and sold in Kona is unneeded and potentially devastating to the standard bearing small estate farms that market directly to consumers and is not addressing an established problem. The current certification requirements were put in place to prevent a recurrence of another "Kona Kai" counterfiet coffee situation.
    - Development and growth of other Hawaiian regional coffees, mainland protection of Hawaiian grown coffees, and plugging the dual identity

loophole are all worthy of methodical, unbiased study once the big problem of deceptive labeling in Hawaii is fixed.

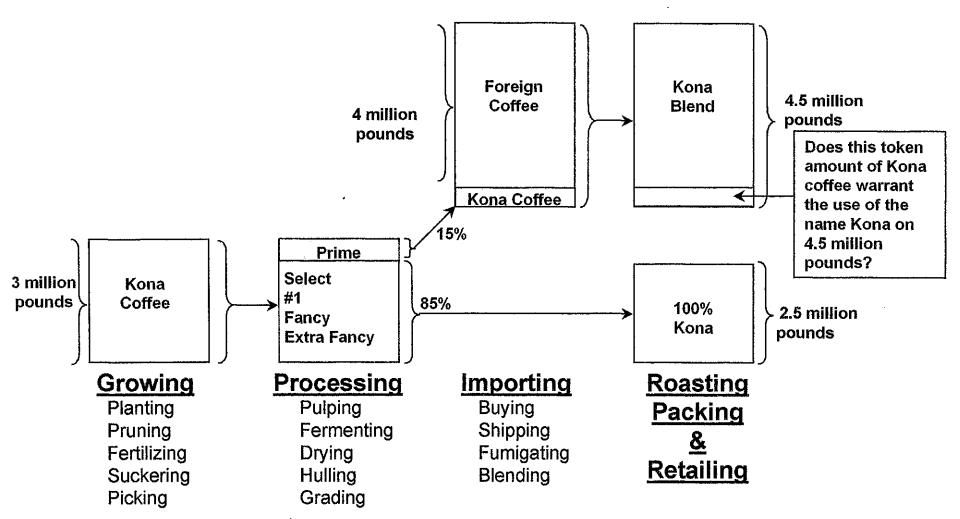
- Red Herrings I hear from time to time on the subject
  - The small cherry farmer is concerned about a glut of Kona coffee if the blend rules are changed
    - · Probably true, but not warranted
      - Told to be worried by processors who buy their coffee
      - Not plausible given only about 15% of the crop goes into the blends, and the crop sells out each year, and about 5 million pounds of Kona blends are on the market
  - You may hear processors say they "represent" the cherry farmers
    - Just about as likely as the used car seller "represents" the car buyer
  - Demand for 100% Kona is small, therefore sale to blenders is needed
    - Only about 15% of the crop goes to the blends, easily absorbed by the demand that had been getting filled by the 5 Million pounds of "Kona blends"
  - The hotels can't afford to supply 100% in the room
    - Possibly true, but is that worse than providing a 90% foreign coffee blend deceptively labeled implying it is Kona?
    - The hotels may well be able to afford some other way of creating a positive Hawaiian experience
  - Consensus is required before action
    - It would be nice, but is unrealistic to expect
      - The stakeholders have different interests, any change will involve "winners & losers"
    - The current law, in the words of the legislature "causes consumer fraud and confusion, and degrades the 'Kona coffee" name.
    - Stopping fraud should not require the concurrence of the beneficiary of that fraud!
- Conclusion
  - Funding the study is not required, or appropriate until the underlying truth in labeling problem is fixed.
  - The committee should be focusing on SB661.

#### Mahalo,

Charles Moss Aina na Hoku Kai Farm 74-4993 Mamalahoa Hwy, Holualoa, HI 96725

## PRODUCT FLOW OVERVIEW

## Kona Labeled Coffees



Notes: 1) All pounds are "green equivalent" coffee

2) "Typical" year

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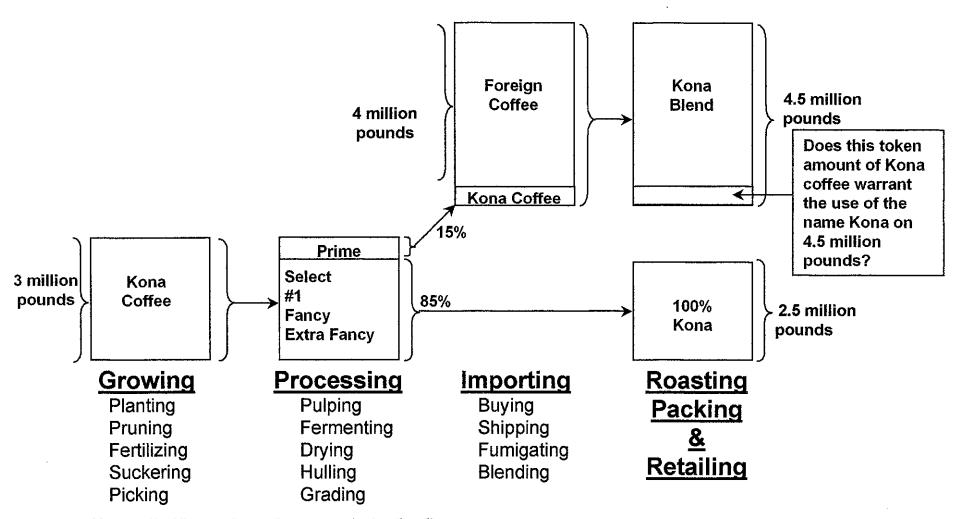
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# **PRODUCT FLOW OVERVIEW**

## Kona Labeled Coffees



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2) "Typical" year

# Require at least 75% Kona Coffee in the bag if the Kona name is used and disclose the origins of other coffees used in the blend.

View	Current	Signatures	_	Sign	the	Petition

To: Hawaii State Legislature House and Senate

To the members of the Hawai'i State Legislature:

Rep. Herkes has introduced HB 72, and Senator Kokubun has introduced SB661, to require at least 75% Kona coffee in the bag for the Kona name to be used on the label and to require disclosure of the origins of other coffees used in the blend. This bill is critically important to Kona coffee farmers. We hope you will give it your support.

We agree with the decision of the County Council of Hawai'i to:

- 1) ALLOW the use of the name, "Kona Coffee Blend" in connection with any coffee packaging which contains 75% or more Kona coffee by weight; and
- 2) REQUIRE prominent identification on any package of "Kona Coffee Blend", to include the percentage by weight of any United States-grown coffee and in the case of foreign coffee, to include the country of origin and percentage by weight. This identification shall be printed in descending order of percentage by weight with the geographic origin and labeled by using print equal in size to the largest print on the seller's label.

Since 1992, the 10% blend law has damaged the reputation of Kona coffee and threatened the economic well-being of Kona coffee farmers. Blenders, and the processors who sell to them, want to retain the right to use the Kona name on a deceptive product in which Kona coffee cannot be tasted. Farmers who sell 100% Kona coffee need to protect its reputation as a world-class, specialty coffee, to maintain the economic viability of 650 Kona farms and Hawaii County agriculture. 10% Blends that use the Kona name threaten the livelihood and future of Kona coffee farmers. We are not opposed to blends. Blenders can continue to put 90% foreign coffees and 10% Kona in their bags and call the blend whatever they like, as long as they do not use the Kona name.

We, the undersigned, support Hawaii State Legislature Bills HB72 and SB661 which changes labeling requirements for Kona coffee by specifying that "Kona" or "Kona Coffee" shall not be used on the label unless the coffee contains at least 75% of Kona coffee meaning coffee grown in the South Kona district or the North Kona district by weight.

Sincerely,

The Undersigned

Exhibit A

2/4/2008

http://www.petitiononline.com/75Kona/



## Require at least 75\% Kona Coffee in the bag if the Kona name is used and disclose the origins of other coffees used in the blend.

We endorse the Require at least 751% Kona Coffee in the bag if the Kona name is used and disclose the origins of other coffees used in the blend. Petition to Hawaii State Legislature House and Senate.

Read the Require at least 751% Kona Coffee in the bag if the Kona name is used and disclose the origins of other coffees used in the blend. Polition

Name	Comments	Address; Zip Code
1. Ed Bourgeois	Have pride in your quality coffee!!	
0. Ken Bozarth	Why has it taken so long for this to happen?	
19. Chris Moser		10940 Wilshire Blvd, Los Angeles, CA
l8. Tong		
7. Donna Sakaida	1	
6. Heidi Waldmann		NY 12901
5. Brian Fowler		62629
4. Yiqin		China
3. John Piwaron	I love Kona coffee!	53207
2. Jonathan Goll		92620
1. Gene Michels	Daniel College	***************************************
	Buy 100% Kona / No Blends Factory Direct, Wholesale & Retail We do not reast until you order! looking for g Wholesale Pricing Free shipping on orders over 5 lbs. discover ours www.coffeebeandirect.com www.goldstarcoffee.com www.dehuulafarras.com ground	fee selection ournet coffees & gifts s, wholebean or
	don-francisco	_
Thomas P		Ada by Google
Price	bring back the integrity of Kona coffee	1024 Meadows Ave.32804
<sup>75.</sup> Williams	actually, it should be 100\% Konal	Montgomery Village, MD 20886
8. Sweeney	Should be 100\%!	9 Hancock St, 02129
7. David F. Hickman		2455 Via La Mesa, Chino Hills, CA 91709 plus we own three units at the Maui Ocean Club/Kanapalli Beach
6. Carl Sitherwood	Truth in advertising is paramount.	Marietta, Ga. 30064
5. Robert G Foster		P.O Box 296 Iron Mt., Michigan 49801
4. Brian M Colwell		
3. John P. Goese	This is extremely important, let's be honest with the consumers up front before the purchase. Mahalo!	
2. Kenneth Purington		84032
1. Robert W. Morrison		721 Santa Rosa Street, Sunnyvale, CA 94085
0. Katherine F. Bowers		Frederick, Maryland 21703
9. John Barry		
8. Andrew Scherer		Long Island, NY 11803
7. Carol Peterson		
6. David Lewis	The current state of affairs, in which unknowing people buy coffee with only 10\% Kona and thinl they're getting the real thing, only serves to dilute the value of one of the islands' premium assets. It's as if wine with 10\% grapes from Napa were to be sold as Napa wine. Please pass these bills to protect your farmers and customers. Thank you.	G G G1 00040
5. David Schellenberg	· · · · · · · · · · · · · · · · · · ·	
4. Stephen H. Greenberg	Kona should be all Kona	51 Holly Berry Ct, Blythewood, SC 29016
3. Craig Andrews	s I want to help all the Kona Coffee farmers & every vote is crucial!	238 Elmhurst Dr, Rexdale, Toronto, Ontario, Canada. M9W 2L8
2. Bob Smith	1 actually want 100\% Kona, but 75\% is a good start	P O Box 248, Honaunau, HI 96726
Conclin D	Many in the time to contable June 1975 have Grants Co. 14	
1. Cecelia B Smith O. Phillip J. O. Brown	Now is the time to egt this done. We have fought for 14 years! Let's go!  I do not want to be waisting my money on fraudulent/minimal Kona when I think I am paying for	

	9. Linda M Hughes Karessia V. Jones	Kona coffee should be at least 75\% or more Hawaiian grown coffee!!	5109 Abby Rd.,N Richland Hills,TX 76180 PO Box 561676, Los Angeles, CA, 90056
	17. Don R Hogshead		30097
	16. Bruce Corker 15. Jim Williamson 14. Betty Rodgers	10\% Kona blends seriously damage Kona's reputation as a specialty coffee	PO Box 417, Holualoa, HI 97825 4254 Bridege Court, Norcross, GA. 30092 Campo, Colorado 81029
	<ol> <li>Betty Rougers</li> <li>Randy Welfley</li> </ol>	I fully support this petition as it provides similar "truth in labeling" as in the wine and other industries.	Alpharetta, GA 30004
	12. jonathan jones 11. cindy jones		90062 90062
	0. Scott Sanborn	It's only right. Do it now, please!	5 West Court, Potomac Falls, VA 20165
9	Thomas Flanigan	·	
:	Theresa Jakubowski		1739 SW 51st Street, Cape Coral, Florida 33914
	7. John Allen 5. Don Girdwood	I support this 100 \%	19078
:	5. Phillip Emerson	I support the Kona coffee bill	
	1. debra grizzle		
	3. Randy Wilson	I would like to see Kona as 100\%	
:	2. Suzanne Kustusch	Using the Kona name in a blend with less than 75% Kona coffee is deceptive advertising.	Captain Cook, HI 96704
	I. Mark Shultise	Blenders have fooled the public long enough! Let's have truth in labeling,	PO Box 1002 Captain Cook, HI 96704-1002
		View Signatures : 2301 2251 2201 2151 2101 2051 2001 1951 1901 1851 1751 1701 1651 1601 1551 1501 1451 1401 1351 1301 1251 1201 1 1101 1051 1001 951 901 851 801 751 701 651 601 551 501 451 401 301 251 201 151 101 51 1	<u>1801</u> 1 <u>51</u> 1 <u>351</u>

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The Require at least 75/% Kona Coffee in the bag if the Kona name is used and disclose the origins of other coffees used in the blend. Petition to Hawaii State Legislature House and Senate was created by members of the Kona Coffee Farmers Association and written by Suzanne Kustusch (konacoffeefarmers@gmail.com). The petition is hosted here at www.PetitionOnline.com as a public service. There is no endorsement of this petition, express or implied, by Artifice, Inc. or our sponsors. For technical support please use our simple Petition Help form.

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N:	ame	Comments	Address; Zip Code
2301. W	ames H. "Bert" Voodall	Consumers deserve the truth, kona growers deserve the benefit of the truth.	Prescott AZ 86303
2300. Bill Adams			96704
	tephen k coffee tuclides Perez	We The People - 75\% Sending support from Cocoa, FL.	
	ennifer R. Adams		82-6016 Puuhonua Beach RD.
	ictoria Scott	,	Capt. Cook, Hi 96704
	eff Mortlock		
2294. D	ariel Jamieson	I want real Kona coffee in Kona coffee I buy	
2293. Pa	atricia C. Harwo	od	1510 Pump Road, Richmond, VA 23238
2292. R	ichard K. Harwo	od	1510 Pump Road, Richmond,
2291, Ja	ames Barnes		VA 23238
	H: Bu Wi	swaljan Kena Coffee + 100% Hawaiia <u>n Kena Coffee</u> Lehuula Farms Kena Coffee by 100% Kona / No Blends holicsale Pricing House Fest, Low Online Pricing Free shipping on orders over 5 bts www.coffeebeandirect.com www.goldstartoffee.com	
			Ads by Google
	enica Faye		
	eborah Taylor		
	ebbie Kimble		San Diego, CA 92111
	avid Eaton	keep kona coffee kasher	
	regory Farley		
	inja martling		00014
2284. C	ynthia Jones		86314
	ynthia Brady		P.O. Box 6331 Ocean View, HI 96737
2282. M	faria Kober		96740
2281. C	heryl A. King	It is only common sense and truth in advertising to require that Kona Coffee really contain enough Kona coffee to merit the name.	96740
2280, C	ynthia Kennedy		73-4310 Mamalahoa Hwy Kailua Kona HI 96740
2279. B	ruce McGraw	Please pass 75\% measure	868 E. 250 So. 84037
2278. S	usan Zaretsky		
2277. D	elphine Busch	a brand should have the right to its name	
2276. D	avid Znidersic	- -	
2275. Jo	ohn Glaze		
2274. L	uAnn Glaze		
2273. Ja	ames Elstran		
2272. ci	hris baines	Another way for the greedy to move to Dubai! Shameful and disgusting.	95423
2271. fe	rnanda A. hristianson	<del>-</del>	5295 ne 54th ave. Portland Oregon 97218
22 <b>7</b> 0. Pa	aul Loewe	As a State of Hawaii asset, The Kona Coffee growers deserve the full support of the state to insure that Kona Coffee will continue to be viable industry for the people of Hawaii.	-
2269. M	farvin Hochstedl	*	
	atricia M Walsh	Only 100\% Kona is Kona	Riverhead, NY 11901
	fichael Letsche	Vana mana amathin diland mana amathin di	Dissolve dates seen
	obert P Walsh hristopher Eman	Kona means something/blend means something else	Riverhead,NY 11901
	hristopher Eman assilico	Real Kona coffee is head and shoulders above any other in my opinion, that is why I buy it.	77546
	everly meyer		66215
	homas Grippo		
2262. M	like Glaubit		23060
	OHN KURATA		12529 El Camino Real, #D, San

Diego, CA 92130 2259. David Lally 2258, john simmons I have bought 100\% Kona Coffee for the last three holiday seasons and it is the best! No one 2257. Joshua Rideout St. John's, NL, Canada should be allowed to hijack the quality which is assured by the Kona name. 4141 Stevenson Blvd, Apt 204, 2256. Melody Hall Fremont, CA 94538 2255. Percy & Deborah Chinery This is a no-brainer. Protect the name Kona. It literally implies high-quality coffee. 96740 2254, Sue Moss 2253. Susan Simmons 92176 2252. James M. Lane 2251. Roberta S. Hykes 
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## Testimony of Bruce Corker IN OPPOSITION to SB2905--(Relating to a Study of Regulations of Kona Coffee Blends)

Senate Committee on Agriculture & Hawaiian Affairs

Date: February 5, 2008

Time: 2:45 pm

 LATE

Chairperson Tokuda, Vice Chairperson English, and members of the Committee:

My name is Bruce Corker; I am a coffee farmer in Holualoa on the Big Island. I am president of the Kona Coffee Farmers Association.

The KCFA is a membership organization with close to 200 members. The purpose of the Association is to protect the interests of Kona coffee growers. Voting membership is limited to coffee farmers.

The Kona Coffee Farmers Association OPPOSES SB2905.

We are in opposition to the Bill because we believe it is being used to avoid dealing with on-going Consumer Fraud.

We oppose this Bill because it is being used as a reason not to provide open committee hearings for SB661 (Truth-in-Labeling for Kona Coffee)--a Bill which is now pending before this Committee for a second year in a row.

Our view is that SB2905 is being used by corporate special interests as part of a "study and stall" strategy to avoid open consideration in a committee hearing of the Consumer Fraud question.

A study is not needed. It is inherently deceptive to use the "Kona" name for 90% foreign-grown coffee. It is a matter of common sense.

One need only go into the markets in Kona or Oahu to see the deception in labeling and watch visitors being misled into believing they are buying "Kona Coffee".

Last year the Legislature made a factual determination that

"existing labeling requirements for Kona coffee causes consumer fraud and confusion and degrades the 'Kona coffee' name." (SCR102/SD1/HD1)

Fraud is fraud. We believe the Legislature does not need a study to know that it has a responsibility to stop Consumer Fraud--without additional years of delay.

Even if a study were to proceed, we believe any study should be done, not by the LRB, but by a researcher who is INDEPENDENT and has EXPERTISE in consumer protection and fair marketing issues.

In fact, such a study has been done and is available. Aurora Hodgson (UH Manoa) and Christine Bruhn (UC Davis) published an article in the Journal of Food Quality in 1993. The article documents their study—a study which is precisely on point. The article states their "common sense" conclusion and recommendation as follows:

"Coffee blends containing less than 50% Kona Coffee may not use the descriptor Kona Coffee Blend."

Dr. Hodgson confirmed to the KCFA last year that, "Dr. Bruhn and I think that the results still apply today."

With the availability of this study from distinguished academics with independence and expertise, why would the Legislature spend taxpayer money on a new study? Is this a matter of special business interests shopping for a different result?

Again, I emphasize that we do not believe a study has any relevance to the issue of putting a stop to Consumer Fraud. HOWEVER, if there is to be a study, I would like to make the following points.

1) The focus of a study should not be on the "impacts" that might be felt by certain business interests if an end is put to Consumer Fraud. There is no justification for the implication in the language of the Bill that Consumer Fraud should be allowed to continue if the Blenders (or anyone else) would suffer adverse economic "impacts".

Yes, Blenders will lose the exorbitant profits they now make by selling \$5/lb commodity coffee at \$15 to \$18/lb premium prices--when the "Kona" name appears on bags of 90% foreign coffee. These exorbitant profits are available only because the name "Kona" appears on the bag.

2) If there is to be a study, the focus should be on the extent to which the current status quo damages Kona coffee growers economically and degrades the Kona coffee name. For example, given basic principles of supply and demand, to what extent does the estimated annual sale in Hawaii of 5 million pounds of "fake Kona coffee"

(ie, 10% Kona blends) swamp the approximately 3 million pounds of coffee grown in Kona each year, depress prices for the genuine article, and lower the income of Kona coffee farmers? What is the cost of the status quo to coffee growers?

- 3) This is not a "CONSENSUS" issue. Opponents suggest that nothing should be done unless there is consensus in the "Coffee Industry"—which they define to include large corporate coffee interests which profit from "10% Kona Blends". The economic interests of the Blenders and coffee growers are directly in conflict on this issue. HOWEVER, even if there were total consensus to keep the status quo, consensus should not be a precondition for putting a stop to Consumer Fraud and Deception.
- 4) We know of no other region anywhere in the world that permits the use of the names of its specialty crops with as little as 10% genuine content. Have you ever seen

A 10% Blend of Scotch Whiskey?

A bag of 10% Idaho Potatoes?

A 10% Bag of 10% Maui Onions?

A 10% Napa Wine?

The question is "Why is Hawaii law out of step? Why is Hawaii permitting damage to the Kona name, instead of protecting one of the State's heritage crops?

Another point I would like to make very clear: The coffee farmers are NOT asking that 10% blends be prohibited. Coffee blending is an art used to develop distinctive flavor profiles. If the Blenders believe that they can create a wonderful tasting blend with the addition of 10% Kona coffee—that is fine with us. Our position is merely that they should not use the Kona name for 90% foreign coffee. They can call their blend a "Tropical Blend" or a "Tradewinds Blend" or some other similar name, but don't call it a "Kona blend". The simple reason they don't do this is that the premium price comes not from the coffee flavor, but from the "Kona" name on the bag. This is why Blenders oppose even holding a hearing on SB661.

The Legislature should show respect for the Hawaii County Council--and honor the Council's request that the pending Truth-in-Labeling for Kona coffee bills be heard in Committee and enacted. (Hawaii County Council Resolution No. 417-07, November 20, 2007.)

The Legislature should show respect for resolutions passed by the 2006 Hawaii County and State Democratic Party conventions, calling on the Legislature to reform labeling laws which permit deceptive marketing of Kona coffee.

Finally, I would like to say that KCFA has put together an on-line petition in support of SB661. There are now more than 2300 signatures on that petition. I have attached the text of the petition and copies of signatures Nos. 1-51 and 2251-2301, as illustrations of the others. [Exhibit A to this statement.] I urge you to review the petition on line and read some of the many comments that signers have added. Two things you will see--1) the extent of opposition to "10% Kona blends" by non-farmer Kona residents (there are only about 600 coffee farms and there are hundreds more Big Island residents' signatures) who resent the misuse of our region's name; and 2) the degree of outrage from mainland coffee appreciators over what current Hawaii law permits. I hope you will consider those comments.