

HB1925 HD1

Testimony

Hawaii Liquor Wholesalers Association
c/o 222 South Vineyard Street, Suite 401
Honolulu, HI 96813
Phone: (808) 531-4551

March 19, 2012

Senator Clarence Nishihara, Chair
Committee on Agriculture
Senator Will Espero, Chair
Committee on Public Safety, Government Operations & Military Affairs
Hawaii State Capitol, Room 224
Honolulu, HI 96813

RE: HB1925 HD1, Relating to Liquor

Dear Chairman Nishihara, Chairman Espero and Members of the Committee:

HB1925 HD1 allows holders of Class 1 manufacturer liquor licenses to sell beer, wine, or other specified liquor manufactured or distilled in Hawaii in any quantity to wholesalers or for private use and consumption.

We respectfully oppose the bill in its current form and would like to amend paragraph (b)(3) by deleting "in the state" and adding instead "on the licensee's premises from fruits or other products grown in the State". Attached is a drafted bill that reflects our amendments made to HB1925 HD1. The changes make clear that the intent of the bill is to benefit local manufacturers of beer, wine or other specified liquor manufactured or distilled on the licensee's premises from fruits or other products grown in the State.

Only local manufacturers who make their liquor here using local products should be allowed to sell their product on premises for private use and consumption. Without these changes local manufacturers would receive no benefit from using local products in their manufacturing and distilling process and may face unfair competition from other manufacturers who may just bottle their product in the State and label same "Made in Hawaii" even though local products are not used and the manufacturing or distilling is not done locally

Thank you for your consideration of this matter.

Sincerely,

Warren Shon
President

H.B. 1925 H.D.1
S.D.1 PROPOSED

A BILL FOR AN ACT

RELATING TO LIQUOR

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 281-31, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Class 1. Manufacturer license. A license for the manufacture of liquor shall authorize the licensee to

[manufacture]:

(1) Manufacture the liquor therein specified ~~[and to sell];~~

(2) Sell it ~~at wholesale~~ in original packages to any wholesaler person who holds a license to resell it ~~[and to sell];~~ and

(3) Sell ~~[draught]~~ beer, ~~[or]~~ wine ~~manufactured from grapes or other fruits grown in the State,~~ or other specified liquor manufactured and/or distilled ~~[in]~~ on the [State] Licensee's Premises from fruits or other products grown in the State in any quantity (a) at wholesale in original packages to any person who holds a license to resell it; and (b) to any person for private use and consumption.

[] Under this license, no liquor shall be consumed on the premises except as authorized by the commission. Of this class, there shall be the following kinds:

- (1) Beer;
- (2) Wine;
- (3) Alcohol; and
- (4) Other specified liquor.

It shall be unlawful for any holder of a manufacturer license to have any interest whatsoever in the license or licensed premises of any other licensee. This subsection shall not prevent the holder of a manufacturer license under this chapter or under the law of another jurisdiction from maintaining any interest in the license or licensed premises of a wholesale dealer licensee under this chapter."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.



Hawaii Farm Bureau
F E D E R A T I O N

2343 Rose Street • Honolulu, Hawaii 96819
Phone: (808) 848-2074 • Neighbor-Islands: (800) 482-1272
Fax: (808) 848-1921 • Email: info@hfbf.org
www.hfbf.org

March 20, 2012

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
HOUSE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS, AND
MILITARY AFFAIRS

TESTIMONY ON HB 1925, HD1
RELATING TO LIQUOR

Room 224
3:30 PM

Chair Nishihara, Chair Espero, and Members of the Committees:

I am Brian Miyamoto, Chief Operating Officer and Government Affairs Liaison for the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,800 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFBF **strongly opposes changes made in HD1** made to the original intent of this measure which is to promote the use of locally grown products in liquor produced in the State. HFBF **supports the original HB1925**.

Traditionally, local liquor was only made from fruits but now sake and rums made from locally grown potatoes and sugarcane are in production. It makes sense to widen the kinds of local agricultural products used in liquor but NOT to remove this requirement. Some have said there is no "compelling reason" to have the local agricultural requirement. Farmers seek to expand their revenue base so new uses for their product, including liquor is welcome and needed. This is another way in which the State supports the industry.

SECTION 1. Section 281-31, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Class 1. Manufacturer license. A license for the manufacture of liquor shall authorize the licensee to [~~manufacture~~]:

(1) Manufacture the liquor therein specified [~~and to sell~~];

(2) Sell it at wholesale in original packages to any person who holds a license to resell it [~~and to sell~~]; and

(3) Sell draught beer, [~~or~~] wine manufactured from grapes or other fruits grown in the State, or other specified liquor manufactured from fruits or other products grown in the State in any quantity to any person for private use and consumption.

HFBF respectfully requests restoration of language to the original bill as introduced. Thank you for this opportunity to provide testimony on this issue.



MAUI BREWING CO.

18 March 2012

Committee on Consumer Protection & Commerce
State of Hawai'i

Re: Testimony HB1925

Aloha Ladies and Gentlemen of the Committee:

I am writing to you in support, with amendments, of HB 1925 relating to the Class 1, Manufacturer liquor license. The original bill proposed had language requiring the products to be made using local ingredients. My original testimony was in support with the amendment of adding packaged beer to the list of products that could be sold directly to consumers. Unfortunately somewhere in this process the language about local products was removed. I believe this language is very important to the intention of the bill being that we need to encourage local production of alcohol utilizing agricultural items from within the State. This requirement will only serve to strengthen two industries; agriculture AND manufacturing. It is vital to our economy to support value-added agricultural products and encourage agricultural tourism so visitors may experience Hawai'i through its unique high-quality products.

Please reinstate the language requiring products be made using local ingredients, and it would be further helpful to require truth in labeling and give protection to authentic Hawaiian products.

Mahalo for your time, consideration, and support of local business.

Sincerely,

Garrett W. Marrero, Founder
808.280.4687
G@MauiBrewingCo.com

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 19, 2012 9:00 AM
To: AGL Testimony
Cc: paula@mauiwine.com
Subject: Testimony for HB1925 on 3/20/2012 3:30:00 PM
Attachments: HB1925.pdf

Testimony for AGL/PGM 3/20/2012 3:30:00 PM HB1925

Conference room: 224
Testifier position: Oppose
Testifier will be present: No
Submitted by: Paula J. Hegele
Organization: TEDESCHI VINEYARDS, LTD.
E-mail: paula@mauiwine.com
Submitted on: 3/19/2012

Comments:

Date: March 10, 2012

TO: THE 2012 LEGISLATIVE SESSION

Senate: Committee on Agriculture

Senator Clarence K. Nishihara, Chair
Senator Gilbert Kahele, Vice Chair

**Senate: Committee on Public Safety,
Gov. Operations and Military Affairs**

Senator Will Espero, Chair
Senator Michelle Kidani, Vice Chair

FROM: Paula Hegele, President, Tedeschi Vineyards, Ltd.

RE: **Testimony on HB 1925 HD1; Hearing on March 20, 2012**

On behalf of Tedeschi Vineyards, Maui's only winery I would like to strongly oppose HB1925.

In my initial review of HB 1925 and SB 2974; I was in agreement and saw this as a way of keeping the State laws in-line with recent positive changes made by the Counties and a means to encourage more manufacturing to the State.

However, HB 1925 was drastically changed in language in a closed hearing before crossing over to the Senate. I am now strongly against the revision which removes the need for any local fruit or grown products; and allows any manufacturer of alcohol products the rights to receive benefits that had been a regional privilege to those companies which have worked to include locally grown products and give integrity to the local industry and State.

The bill is now without any consideration for local agriculture; existing liquor manufacturers and leaves great room for self-interpretation and no accountability for product integrity. The terminology also does not completely represent the Federal law differences between wine, beer and distilling operations. Should you truly wish to remove any need for local ingredients in alcohol beverages manufactured in the State, I would suggest that we do the necessary research and review before opening up the doors with no restrictions. We need industry input, review of other existing State and Federal laws, discussion as to what constitutes manufacturing, percentage or production gallonage requirements; and a plan to oversee and regulate.

HB 1925 now reads to completely remove and disregard the laws that have been in place for many years and no longer protects the integrity of our existing industry nor recognizes the importance of using Hawaii agriculture products.

Please consider holding this bill or returning it to its original intent. The original intent would have positively helped to increase our small industry, increase production and sales while keeping the use of local ingredients a precedent. However, giving any manufacturer the right to bypass the Hawaii 3 tier system for direct wholesale or consumer retail sales puts true local manufacturers at a great disadvantage and does nothing to bring regional significance to Hawaii manufacturing.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 19, 2012 11:49 AM
To: AGL Testimony
Cc: rdawson@manuleleholdings.com
Subject: Testimony for HB1925 on 3/20/2012 3:30:00 PM

Testimony for AGL/PGM 3/20/2012 3:30:00 PM HB1925

Conference room: 224
Testifier position: Support
Testifier will be present: No
Submitted by: Robert Dawson
Organization: Manulele Holdings, LLC
E-mail: rdawson@manuleleholdings.com
Submitted on: 3/19/2012

Comments:

I wish to give my full support to HB1925 and I urge its passage as written.

My company, Manulele Holdings, LLC, currently has sugar cane farming operations in Waialua with nearly 8 acres planted and another 12 available for expansion this summer. We are in discussions with additional small farmers in Kunia where we have a small 2 acre seed farm on land leased from HARC. We hire small, local farmers to maintain our crops for use in a high value agricultural business. This business includes a farm-to-bottle distillery operation. The ability to take our locally grown sugar cane and process it into a distilled spirit that we can then sell directly to our customers will be an enormous benefit to our business. Our success will create additional jobs in agriculture, and help rejuvenate sugar cane farming in Oahu. Our farming, processing, distillation and retail operations have the potential to create dozens of new jobs in economically disadvantaged agricultural areas like Kunia and Waialua.

This bill not only supports local agriculture, but also tourism. Agritourism has great potential in Hawaii, and HB1925 will allow farm-based distilleries to bring new and exciting destinations to Hawaii's robust tourist industry.

Please support the passage of HB1925 and I encourage the committee to allow for its immediate adoption once passed.

Mahalo nui loa.

Robert Dawson
President - Manulele Holdings, LLC

**Testimony of
Ken HIRATA
Member and Owner
Hawaiian Agricultural Products, LLC
on H.B. 1925
Relating to Agricultural Base Small Business**

**Committee on Agriculture
Tuesday, March 20, 2012
3:30 p.m.
Conference Room 224**

Hawaiian Agricultural Products, LLC strongly supports H.B.1925, which allow agricultural-based commercial operations with more benefit and flexibility. The entity is owned and managed by Ken HIRATA.

We are planning to produce Japanese traditional spirits called SHOCHU by using Hawaii grown sweet potatoes and other Hawaii grown fruits and vegetable in Haleiwa. The supply of the sweet potatoes comea 100% from Hawaii along with our own sweet potatoes grown on our land in Haleiwa. We will operate our distillery with all the necessary permits and licenses.

We will make SHOCHU with Japanese traditional hand craft techniques and skills . Naturally our production volume is small compared to the mass produced products produced by high-tech machines with less expensive ingredient. We are working closely with local farmers to create the value added products in a eco-friendly manner with the concept of sustainability. Our SHOCHU will be distributed to not only locally but also to the mainland, Japan, and other Asian countries as Hawaii's premium products.

However, under the current law, distributors, retailers, and even visitors who would come all the way to Haleiwa can not purchase our bottles at the production site. I assume that beer pubs and winery are allowed to sell their products and even to have tasting at the production site.

H.B. 1925, will help to make it easier for agricultural based operators to start commercial operations by being able to sell their agricultural products directly to the customers. H.B. 1925 will allow agricultural operators to expand the market for their products, increase their profits ans sustain their agricultural operations.

Thank you very much for allowing me present this testimony.

Ken HIRATA
Owner/Member, Hawaiian Agricultural Products, LLC

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 19, 2012 8:18 AM
To: AGL Testimony
Cc: dave@islanddistillers.com
Subject: Testimony for HB1925 on 3/20/2012 3:30:00 PM

Testimony for AGL/PGM 3/20/2012 3:30:00 PM HB1925

Conference room: 224
Testifier position: Support
Testifier will be present: Yes
Submitted by: Dave Flintstone
Organization: Individual
E-mail: dave@islanddistillers.com
Submitted on: 3/19/2012

Comments:

I support this bill. It brings parity between wine, beer, and distilled spirits manufacturers in Hawaii. It will be a boon to diversified agriculture, tourism, local employment, small business, and bring an increase in State revenues in the form of State Alcohol Taxes.

Sincerely,
Dave Flintstone
President
Island Distillers Inc.
220 Puuhale Rd. #B3
Honolulu HI 96819
ph.808-492-4632