



STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
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TESTIMONY OF JAMES NAKATANI
EXECUTIVE DIRECTOR
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BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, February 29, 2012
9:15 am
Conference Room 211

SENATE BILL NO. 2272
MAKING AN APPROPRIATION FOR THE CONSTRUCTION OF A
VAPOR HEAT TREATMENT FACILITY

Chairperson Ige and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 2272. The purpose of this bill is to appropriate \$1,500,000, or so much thereof, from the general revenues of the State, for the Agribusiness Development Corporation (ADC) to construct a vapor heat treatment facility on the island of Hawaii. ADC strongly supports this bill.

There is much at stake for the papaya industry in Hawaii at this time. With the December 1, 2011 approval of the Rainbow Papaya for commercial sale in Japan, the immediate elimination of the 30 percent duty for papayas included in the terms of the US-Korea Free Trade Agreement, and the current mission by the State to determine a path for deregulation into China, it is prudent to prepare for the potential for a steep growth in demand for papayas from Hawaii. The papaya industry is excited and hopeful that Hawaii papayas can once again dominate the export market in Japan. This bill will provide the facility the farmers need to complete the export process from Hawaii.

Vapor treatment is an acceptable form of post-harvest treatment for other fruits to be approved for export to international destinations and will support the Hawaii fruit farmers and prepare for the growth in demand for those tropical fruits as well.

ADC is a strong advocate for the sustainability of agriculture in Hawaii and supports this bill. Thank you for the opportunity to comment on this bill.

The Twenty-Sixth Legislature
Regular Session of 2012

THE SENATE

Committee on Ways and Means

Senator David Y. Ige, Chair

Senator Michelle N. Kidani, Vice Chair

State Capitol, Conference Room 211

Wednesday, February 29, 2012; 9:15 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2272
MAKING AN APPROPRIATION FOR THE CONSTRUCTION OF A
VAPOR HEAT TREATMENT FACILITY**

The ILWU Local 142 opposes S.B. 2272, which appropriates general fund moneys for the construction of a vapor heat treatment facility by the Agribusiness Development Corporation on the island of Hawaii at a location to be determined by ADC.

While we normally would not oppose state subsidies that would enhance economic activity, this particular appropriation is clearly not needed. We are aware of three facilities currently operating on the Big Island that are capable of treating papaya and other tropical fruits with vapor heat and making the fruit suitable for export. There is sufficient capacity at these facilities to treat all the fruit grown on the Big Island. Having the State fund a new facility will only provide unfair competition for these existing vapor heat treatment facilities and may even drive them out of business.

If the Legislature wants to appropriate \$1.5 million for the tropical fruit industry, perhaps the money would be better spent on research or marketing that will assist both the farmers and the production facilities. If that is not the case, we recommend that S.B. 2272 be shelved.

Thank you for considering our views on this matter.



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PRESENTED TO THE TWENTY-SIXTH LEGISLATURE
STATE OF HAWAII

FEBRUARY 2012

CHAIRPERSON David Ige and Members of the Committees:

STRONGLY OPPOSE.

My name is William Walter, President at W. H. Shipman, Limited in Keaau on the Big Island. We are a local kama'aina-family owned land management company that is engaged in Agriculture and Commercial/Industrial development and leasing. We currently lease lands to over 130 individually growers Keaau.

W. H. Shipman, Ltd., and their growers are strongly opposed to SB 2272 Relating to Making An Appropriation for the Construction of a Vapor Heat Treatment Facility. There are presently three (3) Vapor-Heat Treatment Facilities and one (1) Irradiator in the Keaau area that are used for preparing products for export to CONUS and Japan. These facilities are running at less than a one-third of capacity. (Note: Shipman neither owns nor is vested in any of the current treatment facilities).

The requested \$1.5 million of taxpayers' money would simply build yet another facility. It would compete with the current processors in the private industry AND itself be under utilized. Under a similar program the government funded a vapor heat facility on Kauai. That facility is now defunct and in bankruptcy. If the State wishes to assist the industry, money spent on marketing through, for instance, HPIA would increase demand for Hawaii grown products, increasing employment and utilization of current facilities.

Thank you very much for the opportunity to provide testimony on SB 2272.



Testimony OPPOSING SB 2272

Senators,

This bill is a waste of tax payer money and should be rejected.

Hilo has an over abundance of capacity for treating papaya to meet quarantine regulations. There are currently 4 treatment facilities. Lack of treatment capacity or the cost of treatment is not the problem with the papaya industry. Calavo's certified Japanese vapor chamber and the vapor chamber at Hawaii Rainbow Produce have excess capacity and are available. No one has contacted either of our companies to discuss using these assets to meet the anticipated Japanese demand and to pack to the standards envisioned.

Building additional capacity to treat papaya with State subsidized taxpayer money will drive down the price of papaya. This hurts growers who are already struggling to make ends meet growing papaya. Additionally, it will force the existing treatment facilities to reduce prices to stay in business, resulting in cost cutting measures that may mean layoffs and reductions in wages. Calavo Growers employs packers under contract with ILWU union. No new jobs will be created by this bill. No additional papaya will be exported. There are no studies supporting claims of job creation, impact on the papaya industry, or quantifying the anticipated market.

I am the General Manager of the Calavo Growers, Inc papaya treatment facility in Keaau, the largest Hawaiian exporter of papaya to the Mainland US. We have over 80 employees who pack and treat papaya. We contract with 50 growers to supply papaya. Please have the common sense to keep the State from interfering with, competing with and disrupting private business.

I understand the concerns about papaya quality raised by proponents of SB2272. We disagree on the solution and the impact this proposed plant will have the Hawaii Papaya Industry. I also believe there is not a full understanding by the proponents of SB 2272 of the economic realities of the papaya business.

The HPIA met this past week and agreed to oppose SB2272. As a member of the Board of HPIA, I welcome the opportunity for our Board to discuss problems facing the industry and possible solutions directly with persons in government. Industry consensus on proposed solutions should be obtained prior to introducing legislation asking for public funding for projects directly impacting that industry.

Sincerely,

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