

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
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SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

Thursday, February 4, 2016
8:30 A.M.

**HOUSE BILL NO. 2275
RELATING TO AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE
BONDS TO ASSIST BIG ISLAND DAIRY, LLC**

Chairperson Tsuji, and Members of the Committee:

Thank for the opportunity to testify on House Bill No. 2275, which is an administration measure, authorizing the issuance of special purpose revenue bonds totaling \$10,000,000 to assist Big Island Dairy, LLC for the planning, design and construction of a new milking facility,. The department supports this bill.

Currently, the two remaining local dairies are at the mercy of the only processor in the state where that processor does not have to purchase milk from local producers. The processor can and does purchase milk from anywhere it chooses. This situation places an undue burden on the local producer where they have to accept the price of milk from the processor or risk dumping their unsold milk, neither of which is economically sound or serves the best interest of the dairy industry in Hawaii.

The new milk processing facility proposed by Big Island Dairy will provide them an opportunity to determine their own destiny as a business and provider of the freshest milk possible, instead of being controlled by current situations. The proposed facility will also create free market conditions where other dairies will have the opportunity to choose where to sell their milk for a competitive price.



Testimony of Scott E. Enright
House Bill No. 2275
House Committee on Agriculture
February 4, 2016
Page 2

It is in the best interest of the people of Hawaii that the state maintains its own local food supplies and not be dependent on mainland and foreign imports. The local milk industry is of significant importance to the economy of the state and must be safeguarded and protected in the public interest. Providing Big Island Dairy with the means to construct their own facility will ensure the continued supply of fresh local milk and create a more competitive business environment.

Thank you for the opportunity to testify on this measure.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON AGRICULTURE
ON
HOUSE BILL NO. 2275

February 4, 2016
8:30 A.M.

AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST BIG ISLAND DAIRY, LLC

House Bill No. 2275 authorizes the issuance of Special Purpose Revenue Bonds (SPRB) up to \$10,000,000 to assist Big Island Dairy LLC for the planning, design, and construction of new milking facilities pursuant to Part X, Chapter 39A, Hawaii Revised Statutes.

The Department is providing comments only to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of SPRB issuance will require further discussion and satisfactory credit underwriting review of the financing components with respect to any proposed financing.

Thank you for the opportunity to provide testimony on this measure.

House Committee on Agriculture
February 4, 2016
8:30am
Room 312
House BILL 2275

Chairperson Clift Tsuji and Members of the Committee

Thank you for the opportunity to testify on House Bill 2275, relating to authorizing the issuance of special purpose revenue bonds to Big Island Dairy, LLC.

Over the last 30 years, the local dairy industry has slowly diminished from being totally self-sufficient in the 80s, to merely 20% of local milk production today. This is due to many factors including high feed costs, high energy costs and a lower pay price. Local milk began to be lost to a, less fresh, imported milk. Today 80% of the milk consumed in the state comes from the mainland and there are only two local dairies left. The milk that arrives from the mainland can be up to 14 days old before it even hits the grocer's shelves. At the same time many Hawaiian jobs and dollars are being lost to the mainland. For these reasons, we are asking for a special purpose revenue bond from the State of Hawaii to help rebuild a broken industry and secure a sustainable dairy future.

In 2011, the Whitesides Family purchased Island Dairy, now Big Island Dairy. Soon after the purchase, we began construction on a state of the art milking facility. At that time, the State of Hawaii mandated a quota price for a large portion of the milk we were producing. It seemed like all parties could thrive under these conditions.

Prior to the completion of our construction project, the local, and only, processor informed us that they would no longer pay us according to the milk quota that had been in place for the previous fifty years. We were to be paid at a parity price to mainland milk being imported. We were also informed that we would need to petition the state for a waiver so that we could sell them milk at a cheaper price, otherwise they would not purchase any of our milk. With no other processor to sell milk to, we felt no choice but to oblige their request.

A parity price with mainland has not been feasible for the many dairies that were in Hawaii before us, and is not feasible for Big Island Dairy. There simply isn't enough revenue to offset the high expenses associated with operating a dairy in Hawaii.

We do, however see a place for the local dairy industry to thrive in Hawaii. We have spent the last few years researching and working with state officials, distributors, local grocery stores, and other advocates for local dairy products. We feel, and are grateful for, the support of these organizations. Joint research with these supporters indicates that there is a place for local. Our goal as producers is to bring a product to Hawaiians that is clean, local, fresh, and will be sustainable throughout the years for Big Island Dairy and hopefully many more dairies that will come to Hawaii.

We are asking for a special revenue bond from the State of Hawaii to help support this dying industry. We feel that there is a value to fresh, locally produced, milk products. This bond would help enable us to build a milk processing facility and continue to innovate dairy practices, similarly to what we have done with cropping for feed and beef sales. We could then offer more local fresh dairy products to the public. We feel that with the State's help we can revitalize the dairy industry here in Hawaii for the benefit of all. Please support us in our effort to help Hawaii achieve a higher level of self-sustainability.

Derek Whitesides
Whitesides Dairy Inc. - Big Island Dairy LLC
[208-431-5552](tel:208-431-5552)
derekwhitesides@gmail.com

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 03, 2016 10:52 AM
To: AGRtestimony
Cc: brian@hfbf.org
Subject: *Submitted testimony for HB2275 on Feb 4, 2016 08:30AM*

HB2275

Submitted on: 2/3/2016

Testimony for AGR on Feb 4, 2016 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Cabral	Hawaii Farm Bureau	Support	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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TESTIMONY IN SUPPORT OF HB2275

Authorizing the issuance of special purpose revenue bonds to assist Big Island Dairy.

February 2, 2016

To: Chair Tsuji
Vice Chair Onishi
Representative Brower
Representative Cachola
Representative Choy
Representative DeCoite
Representative Ito
Representative Kawakami
Representative Satoru Kong
Representative Ohno
Representative Tokioka
Representative Woodson
Representative Kealohilani
Representative Ward

Fm: Chad Buck
President
Hawaii Foodservice Alliance LLC

Re: SUPPORT of HB2275 Authorizing the issuance of special purpose revenue bonds to assist Big Island Dairy.

Dear Chairman Tsuji and Committee Members,

As a business owner responsible for importing over 1.5 million gallons of mainland milk in to Hawaii annually, I am in full support of HB2275 authorizing the issuance of special purpose revenue bonds to assist Big Island Dairy for the following reasons:

- Big Island Dairy has invested over \$20,000,000 to build a state of the art dairy in Hawaii and has proven that they are committed to making dairy sustainable in Hawaii for Hawaii.
- A dairy owned processing and bottling facility will provide the most efficient way of provide finished local dairy products for Hawaii consumers.
- Currently, there is only one bottling company in the state that controls 100% of the bottling market. A dairy owned processing and bottling facility will increase competition for milk from dairy farmers providing much needed competition in this market segment. Not only will Big Island Dairy be able to bottle their own local milk, they will be able to assist and bottle milk from other dairy farms in the state.
- Enabling local dairy farmers to support each other and integrate vertical operations where the dairy farms can milk, process, and package their own products for distribution is the first step towards food sustainability and food security for Hawaii.

Thank you for your time and consideration.



Email: communications@ulupono.com

HOUSE COMMITTEE ON AGRICULTURE
Thursday, February 4, 2016 — 8:30 a.m. — Room 312

Ulupono Initiative Strongly Supports HB 2275, Authorizing the Issuance of Special Purpose Revenue Bonds to Assist Big Island Dairy, LLC.

Dear Chair Tsuji, Vice Chair Onishi, and Members of the Committee:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment company that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food; increase affordable, clean, renewable energy; and reduce waste. We believe that self-sufficiency is essential to our future prosperity, and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono strongly supports HB 2275, because it aligns with our goal of providing more locally produced food. As Hawai'i's local food issues become more complex and challenging, organizations 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.

In 1980, Hawai'i's dairy cow population exceeded 12,000 head and Hawai'i was totally self-sufficient in fluid milk production. Until Hawai'i's Heptachlor incident in 1982, the state was completely self-sufficient in milk. That began to decline as milk began to be imported and local dairies shut down. By 2006, the dairy cow population decreased to about 4,000 head and many of the local dairies had closed. By 2015, the dairy cow population had dwindled to about 2,000 head, just one sixth of the dairy cattle population levels in the 80s. No milk was imported until 1984. Now, less than 15 percent of Hawaii's milk is produced locally.

At its peak, Hawaii's dairy industry provided employment in excess of 170 direct jobs on farms in the rural districts statewide. In 1999, there were six processing plants in production, so there were also many indirect jobs in the market. The two largest processors on Oahu – Foremost Dairies Inc. and Meadow Gold Hawaii Inc. – together hired more than 300 employees in processing and distribution. Since 1999, more than 100 farm level jobs were lost due to the closing of dairy operations. Meadow Gold is the only local processor left in the state, with facilities in Honolulu and Hilo.

Investing in a Sustainable Hawai'i

Currently, more than half of all milk sold in Hawai'i is over a week old before it reaches store shelves due to the importation process. In 2006, the University of Hawai'i conducted a study on bacteria levels in Hawai'i's milk. The study found that 90 percent of imported milk sold in Hawai'i had levels of bacteria higher than FDA-mandated standards five days prior to expiration, which means that 9 out of 10 containers of imported milk spoiled five days before the expiration date. Imported milk is currently used in the DOE's school lunch program.

If Big Island Dairy were able to obtain special purpose revenue bond financing, it would be able to build its own processing facility that would allow for locally produced milk to arrive on shelves within days, ensuring a fresher product for local consumers. With only one other milk processor in the state, Big Island Dairy could provide market competition, while making the largest Hawai'i dairy more efficient and profitable. This is a key first step to help Hawai'i secure its remaining dairies and re-develop its local dairy industry.

We believe that by collaborating we can help produce more local food, support an economically strong homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta
General Partner

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 03, 2016 6:10 PM
To: AGRtestimony
Cc: cathyg@animalrightshawaii.org
Subject: Submitted testimony for HB2275 on Feb 4, 2016 08:30AM

HB2275

Submitted on: 2/3/2016

Testimony for AGR on Feb 4, 2016 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Cathy Goeggel	Animal Rights Hawai'i	Oppose	No

Comments: Please do not waste taxpayer dollars for an industry that is incapable of surviving in Hawai'i-

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Hawaii Cattlemen's Council, Inc.

LATE

**HOUSE COMMITTEE ON AGRICULTURE
REPRESENTATIVE CLIFT TSUJI, CHAIR
REPRESENTATIVE RICHARD H.K. ONISHI, VICE CHAIR**

DATE: Thursday, February 4, 2016
TIME: 8:30 AM
PLACE: Conference Room 312

**HB 2275 – AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST BIG ISLAND DAIRY, LLC.**

Authorizes the issuance of special purpose revenue bonds up to \$10,000,000 to assist Big Island Dairy LLC for the planning, design, and construction of new milking facilities.

Chair Tsuji, Vice Chair Onishi, and Members of the Committee:

My name is Dale Sandlin, and I am Managing Director of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our 140+ member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council **strongly supports** HB 2275 as this measure would support the last of the remaining dairy industry in Hawaii.

The dairy industry plays an important role in Hawaii Agriculture. The local dairy cows provide both milk and beef cattle from cull cows and bulls. They are an important sector of the beef industry as they provide another source of locally grown beef to the market here in Hawaii. The dairy industry plays an important role for Hawaii's food sustainability and we would be solely dependent on product from the mainland if they cannot succeed.

This measure would provide the Big Island Dairy the necessary means to build their proposed facility for processing their product. This facility would also help other dairies in that they will have another option to sell their product at a competitive rate. Hawaii Cattlemen's Council strongly supports the dairy industry in Hawaii and we respectfully ask this committee to pass this authorization.

Thank you for giving us the opportunity to testify on this important matter.



LATE

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 04, 2016 6:03 AM
To: AGRtestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for HB2275 on Feb 4, 2016 08:30AM*

HB2275

Submitted on: 2/4/2016
Testimony for AGR on Feb 4, 2016 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Ponoholo Ranch	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 02, 2016 2:54 PM
To: AGRtestimony
Cc: sharylmas@me.com
Subject: *Submitted testimony for HB2275 on Feb 4, 2016 08:30AM*

HB2275

Submitted on: 2/2/2016

Testimony for AGR on Feb 4, 2016 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Sharyl	Individual	Oppose	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 02, 2016 3:45 PM
To: AGRtestimony
Cc: jfischer@hawaii.edu
Subject: Submitted testimony for HB2275 on Feb 4, 2016 08:30AM

HB2275

Submitted on: 2/2/2016

Testimony for AGR on Feb 4, 2016 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
joel fischer	Individual	Oppose	No

Comments: HB2275: \$10 Million for a private dairy! Say what?! Please kill this bill. It is outrageous to spend this amount of money on an abusive, unnecessary farm animal project. Remember when the lege supported the slaughter house bill? Where is it now? Owned by the state with no productivity. Please learn from that lesson. Thank you.
Aloha, joel Dr. Joel Fischer Professor (RET.) U.H. Manoa

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 02, 2016 10:11 PM
To: AGRtestimony
Cc: suyin@hawaii.edu
Subject: *Submitted testimony for HB2275 on Feb 4, 2016 08:30AM*

HB2275

Submitted on: 2/2/2016

Testimony for AGR on Feb 4, 2016 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Suyin Phillips	Individual	Oppose	No

Comments:

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